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MEMORANDUM

DATE: 1/29/92

TO: RICHARD PORTER

FROM: JIM PITTS JP
JULIE PITCHESS

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REMARKS OF HOUSE MAJORITY LEADER DICK GEPHARDT (D-MO) & GARY EDSON, GENERAL COUNSEL, OFFICE OF THE US TRADE REPRESENTATIVE, TO THE INSTITUTE FOR INTERNATIONAL ECONOMICS RE: NORTH AMERICAN FREE TRADE AGREEMENT
II-1-1 page# 1 MONDAY, JULY 27, 1992
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REP. GEPHARDT: Thank you, Fred, very, very much. I deeply appreciate your holding this event this afternoon. And I want to thank you and your Institute for continuing fine work in the area of international economics. Much of the work that has been produced by your organization has been of immense help and use to those of us in the Congress and in government, and I'm sure in the private sector as well. And I deeply thank you for the opportunity to be here today, and I thank all of you for coming and wanting to participate in this very important discussion.

Forty-five years ago, America's mission in foreign affairs possessed clarity and an essential discipline. The villain was Communism and our answer was, quite clearly, containment. At that moment in history, while America had allies and alliances, no nation was capable of both organizing the world community and marshalling its own political, social, and economic institutions to achieve that goal except the United States -- and this we did, first alone in equipping Turkey and Greece to fight Communist subversion, and then in concert with others in trouble spots across the globe. To this fight we brought unique strengths, in particular, a growing and dominate economy, and farsighted leadership that rallied our people to this critical cause.

After nearly half a century of sacrifice and struggle, a new world has been born. While Communism no longer threatens national borders, jobs, financial flows, commerce, pollution, immigration, and disease cross these boundaries and complicate our lives. We are preeminent in military might, but stand on a crowded stage of economic actors whose strength is growing and, in some sectors, exceeding our own. America, once the greatest producer, investor, and exporter, now leads the world in consumption, indebtedness and imports.

We advanced US interests in the wake of World War II by protecting European democracy and reconstruction. Today our mission is equally momentous -- how to realize America's national interests in the global economy under vastly changed circumstances for us and the world.

From **Europe** to the **Pacific Rim**, nations are organizing their economies for international leadership by forging partnerships among their governments, corporations, and workers. And by recognizing that America has no strategy for rebuilding our economy, our competitors are getting ahead and we are falling behind. And our greatest weakness is the inability of our current leadership to comprehend these new challenges and rally our people to understand and overcome these new circumstances. Nowhere is this more apparent than in our current negotiations with **Mexico** and **Canada** to reach a **North American Free Trade Agreement**, commonly known now as NAFTA.

Roughly one year ago, Congress authorized the President to proceed with **trade negotiations** under the so-called "fast track" trade negotiating authority. This extraordinary grant of power was necessary, according to the President, for him to negotiate this trade agreement. Congress gave President Bush this authority based on a number of commitments that he made both in letter and in spirit.

I supported and voted for fast track because I believe the President should have the chance to negotiate with Canada and Mexico to advance the cause of free and fair trade in our hemisphere. And at the time, I offered a resolution in the House of Representatives, which passed overwhelmingly, to memorialize the President's commitments and make clear what Democrats expected from the negotiation and the President.

In trade negotiations of the post-Cold War era, we must focus not just on the needs of America's corporations, but on the needs of workers who were left behind in the '80s, and on the quality of life and standard of living of citizens on both sides of the border.

Against a backdrop of a **stagnant economy** and declining wages, America must fight for **trade policies** in the global economy that foster opportunity here at home.

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A good free trade agreement would be in the deep self-interest of the United States and could be a powerful engine for growth throughout our hemisphere. But the goal of marrying diverse economies, as the Europeans have discovered, requires agreement on a broad range of issues that have typically not been at the center of traditional trade negotiations.

For months, the Bush administration has been negotiating almost non-stop to send a NAFTA agreement to Congress before the election. I have been monitoring the negotiations and the evolving document, which is still a work in progress. The draft does have some important pro-growth advantages such as reductions in **tariff barriers to trade.** But, especially in the NAFTA, we must look at problems such as trans-border **pollution,** infrastructure, worker adjustment, **labor** and **human rights.** And it is these issues to which the administration has thus far paid scant attention. In fact, our trade negotiators have said these issues are primarily the responsibility of others; the private sector and the free market will be dealt with later.

With time running out on the negotiation, these are the questions which must be resolved before the President signs the agreement. And that is why I am choosing to speak out today. If they are not resolved, a NAFTA agreement would do little more than ratify the status quo on both sides of the border, and that would be unthinkable.

In Mexico, just miles from our border, there is abject poverty, environmental degradation, human rights abuses, and labor problems. Last year, I visited shanty towns known as colonias (ph) where families were living in squalor. I walked through neighborhoods with cardboard homes, without sewage or running water, situated in foot-deep mud. Children lie sick with dysentery. Families use empty drums that once held toxic chemicals to hold the water they use for drinking, cooking, and washing.

In the United States, just miles from the border, there is also great poverty and environmental degradation. Communities in **Texas, New Mexico, Arizona,** and **California,** also known as colonias (ph), exist without sewage or running water. American children have diseases we thought to see only in Third World countries, and they often cannot complete school because of their illnesses.

In Nogales, Mexico, a US Shell Corporation promotes a company-town atmosphere reminiscent of evils fought by the progressives here in America. Workers toil often for less than 75 cents an hour. The Shell Corporation operates barracks in which workers by the hundreds are shoehorned together in circumstances that deny their privacy and

their dignity. Workers complain that amounts are deducted from their paychecks for expenses that they often cannot identify.

In Matamoros, some of America's biggest corporations dump **toxic waste** directly into the water supply, water that turns to the colors of the rainbow. When I stood outside the homes of families living near Mexican factories owned by US chemical corporations, the emissions made my skin burn.

The Salinas government, I believe, understands that this problem must be fixed, but they lack the resources to do the job. They recently disbanded the Mexican environmental agency and restructured its operations. We'll wait and see whether this will be sufficient. While they have talked about joint studies and joint efforts and data exchanges to address pollution along the border, their efforts fall far short of the needs.

What our government fails to understand is that these degraded environmental conditions have grave effects on people living on both sides of the border as well. Brownsville, Texas, has recorded numerous cases of birth defects. In San Alazero, Texas, a short distance from El Paso, a startling number of the children in public schools have tested positive for Hepatitis A or B because of our own lack of water and sewage treatment systems.

These health and environmental problems are largely caused by those corporations who have rushed to the Mexican side of the border to take advantage of cheap labor and more liberal regulatory climate than exists in the United States. The General Accounting Office has documented that numerous US companies have gone to Mexico because of more lax enforcement of environmental laws. The GAO studied the furniture industry in California, and found that companies were moving to Mexico because the chemicals they used were regulated here in the United States but not in Mexico.

It doesn't help either for the United States to lose those jobs or for Mexico to have its environment degraded. Indeed, hundreds of American corporations have moved to Mexico to take advantage of cheap labor, lax enforcement of health, safety, environmental and labor laws, and a union movement that more often than not works hand-in-hand with the government and management rather than with the workers. Mexican workers are making cars, electronic equipment and elevator controllers. These aren't the low skill jobs as the administration's economists would have us believe. These are in many cases good paying jobs that American workers want and would like to hold.

We saw this last week when the last American typewriter manufacturer, Smith-Corona, announced it was closing its facility and moving to Mexico, and we experienced it in my home state of Missouri last year when Zenith decided to take its TV plant and move south. Each time this occurs families lose wages, health benefits, and the means to meet their mortgages. As Anita Mengas (ph), a 20-year Zenith employee told the Congress in testimony last April, and

I quote, she said, "Many of my coworkers have lost their homes or their families or both during the last ten years." That's why real people have real concerns about what the proposed NAFTA agreement will mean to them and their families.

Yet, as the agreement moves toward completion, it is becoming increasingly apparent that environmental controls, worker adjustment policies, protections for American and Mexican workers, and incentives for American manufacturers to remain in the United States are being omitted from the draft. As such, the political case for the US-Mexican Free Trade Agreement will be undermined in America, as would the hopes and dreams of Mexican citizens, that the NAFTA can produce economic growth and social justice through leadership by the United States.

I believe we can and we must do better. An agreement done the right way can help raise the living standards and environmental conditions for people on both sides of the border and, in the long term, turn Mexicans into greater consumers of our products. Properly drafted, it can create jobs in all three countries rather than simply shifting them from the United States to Mexico. Properly conceived, it can act as a model for creating and improving adjustment policies here in the United States. And properly presented, it can encourage support among workers and industries intimidated by the idea of liberalized trade in the global economy.

When we began negotiations with Mexico last year, I reviewed the efforts of the **European Community** to integrate its economies. In many ways, the experience of the European Community is the best case study for us as we look at entering into a North American Free Trade Agreement.

When they joined the European Community, Spain, Portugal and Greece had a standard of living roughly one quarter of the northern countries. And I would urge you to understand that Mexico's standard of living is about less than one-tenth of the standard of living of the United States. Their industrial output was only a fraction of that of the original Community members.

The EC members knew how important it was to have a policy of integration that included adequate transitional and adjustment assistance for workers and regions. And since the mid-1970s, the European Community has provided structural adjustment programs to lower-income regions of their Community. The primary objective of these funds is to assist regional development and worker training efforts. These adjustment programs fall into three broad areas: the European Social Fund, the European Regional Development Fund, and the European Agricultural Guidance and Guarantee Fund. Funding for these programs from 1986 to present will reach nearly $100 billion. And the Community this year -- 1992 - will spend $22 billion in structural adjustment assistance.

The leaders of the European Community and its member states understand that integration without a framework for transition is a

recipe for disaster. It will only lead to economic and social upheaval. These are circumstances we need to avoid in this country as a consequence of adopting NAFTA.

We need a bold, comprehensive **training and retraining program** that recognizes that our nation's most important asset is our people. Our people also need to know that there will be a funding source dedicated to meeting their needs. A proper framework for transition will require a substantial amount of resources both here in the United States as well as in Mexico. Neither country has the resources currently to address these needs: Mexico because of its developmental level, and the United States because of our obvious budgetary problems.

But funding these programs, making them actually happen, is an imperative. Therefore we need to adopt a cross-border transaction tax, the revenues to be used by each country to fund these necessary programs in worker training, infrastructure development, environmental protection, and in other important areas.

A transition program must include better wage and benefit replacement proposals than currently exist and must be of a duration long enough to meet the realistic needs of the workers. It must be structured to provide relief to workers whether their needs arise from short term disruptions or long term decline attributable to the NAFTA, something the President committed to the Congress as part of his action plan last year. Workers deserve this and as I've said before it should be an entitlement included as part of the implementing legislation, not on some parallel track. But with this entitlement there runs a responsibility, a responsibility on the part of the worker and on the part of the government. Transition is an integral part of this process. Designing this program will not require any further negotiations with the Mexicans or the Canadians. This is a matter solely for domestic consideration.

We also need to learn from the EC and what they have done to provide structural adjustment funds to regions in the northern communities to reduce competitive pressures and provide for an orderly transition. These funds, whether they be for infrastructure or for enhancing current or attracting new businesses, must also be provided for as part of the implementing legislation.

Beyond environmental protection and clean up, the infrastructure needs on both sides of the border for people and for commerce are very substantial. Mexico must address these needs for its citizens and we must do so as well. The federal government must be a partner in this process. Specifically that means providing matching development money to fund qualified projects. To complement our efforts in infrastructure we must include necessary and enforceable environmental, health and safety protections in the agreement. Our companies should have a responsibility to promote higher standards to protect the health environment of the Mexican and American people.

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To protect our shared environment we must take a number of steps, most of which we can accomplish unilaterally, some of which will require additional negotiation. First, we need to allow for a derivative right of action for US shareholders to sue US companies doing business in Mexico or any other country, to force our companies to abide by the law of the country in which they're doing business. Now I don't want our companies to be sued, that's not the point. That's why this legislation will allow for a company to inoculate itself against a suit by having an environmental inspection. This would act as a good housekeeping seal of approval and preclude a suit. If a company is abiding by the law there will not be a problem.

Second, I believe we should treat the failure to abide by environmental laws as an **unfair trade practice.** This would give us another avenue to protect our environment. We must also dramatically expand the **budget** for the **EPA**'s international and border operations. Our EPA has a lot of people who are well trained who could be called on by the Mexicans to advise them on how to enhance their system of environmental enforcement.

Third, we need to expand our community right-to-know statutes to require that US companies doing business with 100 kilometers of our border inform the public of any releases of toxic substances. I'd like the Mexicans to require their companies to do the same.

Fourth, to get agreement on how to enforce environmental standards in the border regions and to find the resources to improve and protect our common environment effectively, we'll have to send the President's people back to the negotiating table. According to a study done for the Texas department of commerce, and I quote, "The estimated costs for water and waste water treatment facilities is in excess of $2 billion in the Texas-Mexico border region alone. In addition, over $36 million is needed in physical facilities, personnel, and equipment in the Paso del Norte region to handle hazardous waste response and containment." The total cost will far exceed this estimate.

We should ask the polluters to share in bearing this financial burden. We should look at this region as a special case, where we can share sovereignty to protect and promote the health of our people. We need a joint commission along the border with the power and the money to address these issues. The commission should have the power to offer bonds, inspect facilities, enforce the law, and develop a comprehensive plan to address the problems, both now and in the future. Nothing less will adequately address these problems.

To improve the labor standards and working conditions

affecting Mexican workers, I believe we must fashion a code of conduct for maquiladora industries. This code of conduct will require them to start paying their workers a decent wage, not US wages, but wages that will allow these workers to enjoy dignity and hope for the future. The code will require that employers address basic health and safety issues, and it will require companies to attend to the basic needs of their employees.

Implementing the code will not be easy. We need to work with interested citizen groups on both sides of the border to achieve it. We should call on publicly minded citizens and institutions to pressure our companies to change. And this should include efforts to get investors to divest their holdings in companies that refuse to recognize the fundamental rights and interests of their workers.

Negotiating the code in the context of the NAFTA agreement will put both the American government and the attractiveness of our open market on the side of the forces of change and opportunity in Mexico. This code of conduct should be enshrined in the agreement, and violations thereof should be actionable.

Issues like worker adjustment, environmental protection, labor rights, and human rights; these are not the traditional goals of trade negotiations, but they are the new issues and the right issues to which our trade and fair trade -- free and fair trade principles should be directed today. And if we fight for these goals in the NAFTA negotiations, as I said we should during the debate on fast track, we can make this agreement an engine for growth and a force for good in our hemisphere.

With the passage of the nuclear threat, we need no longer live as survivors, but can instead devote ourselves to the great prosperity issues of our time. We can look to world markets and trade between nations as instruments for growth, opportunity, and human dignity. And negotiations such as those between Canada, Mexico, and the United States will now be as central to world economic security as the arms control negotiations were to military security in the years following World War II.

I believe our workers can be convinced that the benefits of such trade can be reciprocal, not one-sided, and enjoyed by all who can produce high quality products for global export to global markets. And they will especially rally to this cause if they see government taking responsible actions with clarity and discipline in education, infrastructure, training, research, health care, and competitiveness that foster high-wage, high-skilled jobs here at home.

The Republicans believe that the free market will solve all of the problems facing Mexico and the United States. But the world economic system is more complicated than some of the ideologues in the administration would admit. The Republicans should understand that other governments have environmental and social standards, industrial and adjustment policies, and their economies succeed

accordingly. The Europeans worked on integration more than 34 years, and they have broad-ranging policies to address everything from competition to social policy.

Democrats respect the free market but recognize that market forces alone cannot produce a clean environment or fair labor standards. Market forces can produce profits, but not always protect human rights or eradicate persistent poverty. These are issues and values that require a principled government to be an agent of change.

Although we aren't engaged in forming a common political union, we are nevertheless involved in an effort with far-reaching effects and precedent-setting consequences. What is at stake with NAFTA is one of the first tests of our understanding of international economics in the post-Cold War era and, even more, the fate and future relationship with Mexico. This agreement can not only lift the fortunes of the Mexican people and strengthen our relations with their country, but also serve as a model for future trade agreements with other advancing nations of our hemisphere.

I hope the administration respects the sincerity of my commitment and the integrity of the arguments I have outlined, and that we can work together on behalf of an agreement of which all of us can be justly proud. At this momentous time in our history, surely our people deserve no less. Thank you very much. (Applause.)

(Pause.)

MR. EDSON: Until today, Fred, I used to think it was a good thing to be Acting USTR. I'm still hoping for a Cabinet meeting today. (Laughter.)

I appreciate the opportunity to comment on the Majority Leader's remarks. Before I get to them, I'd like to give you all an update on where we stand in these negotiations to link our economy with our first- and third-largest trading partners, Canada and Mexico.

Ambassador Hills negotiated through the weekend in Mexico City. As you recall, a few weeks ago the President commented that these negotiations were in the top of the ninth inning. Well last night, Ambassador Hills told me that they're now in the bottom of the ninth. But she urged me to remind you all that in trade, as in baseball, sometimes you go into extra innings. (Laughter.)

We want an agreement that is in the best interest of the American worker, farmer, consumer, and producer. When such an agreement is within reach, we intend to seize it -- no sooner and no later. But that decision will be based upon the merits of the deal, not upon the politics of the moment.

I don't need to remind this crowd what an extraordinary

opportunity NAFTA presents for America. The United States is now the world's number one exporter, and Mexico is our fastest-growing export market and is now our second-largest market for manufactured goods, having recently surpassed Japan. US exports to Mexico will top $40 billion this year, triple what they were in 1986, yielding a projected surplus of almost $9 billion. Exports to Mexico now support over 600,000 US jobs, many of which were created in the last few years. By tearing down Mexico's remaining barriers, NAFTA will increase US exports and jobs. It will raise standards of living in Mexico, which redound to our benefit since 70 cents out of every import dollar spent in Mexico is spent on US products. It will ease immigration pressures. And importantly, it will generate new resources to improve the workplace and the environment.

We share the Majority Leader's commitment to addressing labor and environmental issues related to the NAFTA. Indeed, as he mentioned, on May 1, 1991, the President sent to Congress a report in which he committed to address these concerns, some in the NAFTA itself, some in activities outside of the NAFTA. Based on that report, Congress extended our negotiating authority. The administration does not now propose to change that bargain. On the contrary, we intend to keep it.

As I've said, the negotiations are nearing completion, and the fulfillment of the President's commitments are approaching as well. Indeed, we are confident that we will not only meet those commitments, but in many instances exceed them. And in point of fact, the Majority Leader is right, the world has changed and the NAFTA will in fact be different. It won't be business as usual. It will go further than any prior trade agreement in addressing labor and environmental concerns.

NAFTA will have a positive impact on labor. The recent export boom with Mexico has been shared nationwide. Forty-seven states have increased their exports to Mexico. Pick a state. What about Missouri? Funny you should ask. (Laughter.) Missouri now has 170,000 export-related jobs, 55,000 of which depend upon exports to Canada and Mexico, Missouri's first and second-largest trading partners. All the studies indicate that NAFTA will generate additional jobs for American workers, hundreds of thousands of jobs. The fear that NAFTA will result in US firms relocating en masse to Mexico to take advantage of lower wages is not credible. If wages were the only determinant of plant location, the Dominican Republic would be an economic power. I was in business. I knows that businesses base investment decisions on a variety of factors, including productivity, and US workers remain six, seven, eight, nine times more productive than their Mexican counterparts.

The fear that NAFTA will flood the US market with cheap imports, throwing workers out of their jobs, is also not credible. Imports from Mexico now account for less than one-half of one

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percent of US GNP. Forty-five percent of those imports already enter duty free. In point of fact, by tearing down remaining Mexican tariffs, which are 2-1/2 times as high as US tariffs, the NAFTA will level the playing field, not flood it.

However, to further smooth the transition to free trade for American workers, the NAFTA will include, as the President committed that it would, an elaborate transition regime. It will include lengthy transition periods over which tariffs are lowered for our most sensitive industries. It will include safeguards to protect American workers and farmers against import surges. It will include tough rules of origin to ensure that only North American producers reap the benefits of free trade.

But we'll go further than that. We believe that the NAFTA that we're seeking will ensure that Mexico does not become an export platform. It will move to eliminate export performance requirements on investors and contain limitations on such things as duty drawback. And, of course, NAFTA will not change our unfair-trade laws, which we will continue to enforce with vigor.

In addition to those transition mechanisms in the agreement itself, the President is committed to having adequately-funded worker adjustment assistance. The administration has a track record of supporting effective adjustment assistance. We've doubled funding for the Economic Dislocation Worker Adjustment Assistance Act to over $500 million, and in his May 1 report to Congress, the President affirmed the administration's commitment to having, quote, "a worker adjustment program that is adequately funded and provides prompt, comprehensive and effective services."

Now, the President stated in that report that he would work with Congress to develop that program and to meet those objectives, and he said that any needed changes in US law should be in place by the time the agreement enters into force and could appropriately be addressed in legislation implementing the NAFTA legislation that we expect Congress to take up next year.

The notion that this assistance should be in place now or when the agreement is concluded, or even when it's notified or signed runs contrary to common sense. You don't prescribe medicine without first examining the patient. Similarly, effective worker adjustment assistance needs to relate to and derive from the provisions of the NAFTA itself and respond to the needs of the individuals it affects. Thus, we began our initial round of congressional consultations on worker adjustment assistance in May of this year, when the contours of the agreement first emerged. Since then, we've held numerous consultations with staff of interested congressional committees.

Together with the Assistant Secretary of Labor, Roberts Jones, I've co-chaired those consultations.

Recently, the **Department of Labor** sent a questionnaire to over 160 labor and business organizations soliciting their views on worker adjustment assistance. That questionnaire was published in the Federal Register, widening the circle of participation. We expect this process of consultation to intensify in the months ahead. We welcome the Majority Leader's input in that process.

We hope that people will not rush to judgment, for the President promised and will fulfill the commitment to having adequately-funded worker adjustment assistance ready for congressional consideration by the time Congress considers the NAFTA itself.

Now, just as the NAFTA has focused attention on labor issues, so, too, has it focused attention on the environment. Whereas at first some people clearly saw NAFTA as a threat to the environment, I believe that now the majority of people view it as an opportunity. We certainly do, and we intend to seize it, not only in the provisions of the NAFTA itself but in our parallel activities. And, in fact, as I said earlier, we believe that it will go further than any prior trade agreement toward addressing environmental concerns.

Specifically, we expect it to embrace the principle of sustainable development. Further, we expect it to maintain the integrity of our laws and our regulatory regime. It will maintain our right to enforce our health, safety and environmental standards. It will permit states to enact even tougher standards. There will be no preemption. It will encourage the NAFTA parties to strengthen standards through upward harmonization, and it will preserve our right to limit trade in internationally controlled products such as endangered species.

In addition, we're going to go further. We are seeking investment provisions in the NAFTA, which we are designing to discourage countries from lowering standards to induce investment, and to permit countries to impose rigorous requirements, environmental requirements on investment so long as those requirements are non-discriminatory. And there are further provisions in the agreement that we are seeking that address environmental concerns, dispute settlement provisions, for example, that provide for input from scientific experts in disputes involving health or environmental issues, and provisions that place the burden on the complaining party to prove that an environmental measure is inconsistent with the agreement.

There are other provisions in the NAFTA itself which address environmental concerns, market access provisions, for example, that will increase access for environmentally productive goods such as environmental services.

All in all, we think that this will be a remarkably

environmentally-sensitive agreement. But let me address the majority's -- a couple of the majority leader's proposals.

As for the notion of a green **tax** or a border tax, the fact is that the purpose of the NAFTA is to lower trade barriers, not to raise taxes. NAFTA itself will generate wealth for Mexico and resources for the environment and for the workplace. In fact, studies show that as a country's GNP increases, pollution decreases.

And Mexico has already demonstrated the willingness and the commitment to find the necessary resources in general revenues. Indeed, President Salinas has increased his enforcement budget from less than $7 million to $77 million this year, and he has allocated $460 million over three years to clean up the border pursuant to the integrated border plan that we have developed with Mexico pursuant to the President's May 1 commitment. In turn, the President's FY -- President Bush's FY 1993 budget includes $240 million for border cleanup, double the amount in '92. Unfortunately, Congress has not only failed to pass these funds, but it has cut them.

As for a code of conduct and other proposals, we need to keep in mind that we don't want to enact proposals that will allow protectionists and environmentalists clothing to close the trade lanes to legitimate trade. In addition, it's also important to keep in mind that the notion that Mexico is a pollution haven or it could become one by virtue of the NAFTA is simply false. It is a myth.

Mexico's 1988 environmental law is patterned after ours. And in some instances, it's even stricter than ours, requiring environmental impact statements for new public and private investment. Enforcement is improving. No question there have been problems, but it's improving. President Salinas has quadrupled the number of border inspectors in the last few years who have shut down over a thousand polluting firms. And the provisions of the NAFTA itself as well as the cooperative activities that we've been undertaking will encourage upward harmonization where standards are different. As an aside, I would also add that, as a trade negotiator, I am always suspicious of using anything that the European Community has done -- (laughter) -- particularly in the agriculture area, as a model.

Beyond these activities, let me just say that, pursuant to the President's commitment on environment and on labor, in each case we're pursuing longer term cooperative activities. In the case of environment, we're thinking of activities that would set up mechanisms for monitoring the environment, reviewing progress, and serving as a vehicle for consultation with the public and private sectors.

And in the labor area, in 1991 we signed a memorandum of understanding between the two labor ministers calling for information exchange and cooperative programs on items such as child labor, workplace health and safety, worker rights and labor laws. Implementation of that memorandum of understanding has proceeded and

now puts us in a position to develop longer term cooperative programs to ensure increased workplace health and safety.

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In closing, let me just say that the debate about NAFTA reminds me of an incident that occurred when Ambassador Hills was sworn in. Justice Scalia did the honors, but before he administered the oath of office, he noted that he'd done some research. His research had revealed that the very first law enacted by the very first Congress of the United States -- one stat one -- was the predecessor to today's oath of office. Makes sense. You can't have a government unless you can swear in the officials.

But he did further research, and he discovered that the second law passed by the first Congress -- one stat two -- was the first protective tariff of the United States of America. It was at that point, he said, that he realized what a difficult job Ambassador Hills was about to embark upon. (Laughter.)

But the fact is that we have been fighting that tariff in one guise or another, at home or abroad, literally and figuratively, for two hundred years. The NAFTA presents an opportunity to strike down that tariff in all its forms once and for all in North America -- to strike down that tariff, to supercharge our economy, to fill our factories, to create jobs for our workers and our farmers, and to create the resources needed and the commitment needed to improve the environment in the workplace.

For all of these reasons, we're convinced that the NAFTA is a competitiveness package. The NAFTA is a growth strategy. And we are confident that when Congress and the American people review the agreement when it's concluded and assess the extent of our cooperative activities -- activities that we agreed with the Congress to be undertaken in conjunction with the negotiation -- we are confident that they will conclude that the greatest cost for labor and the environment of free trade would be the failure to achieve it. Thank you, Fred. (Applause)

MR. : The concept of NAFTA is captured by the metaphor of a growing forest. It is large and beautiful, it is expanding into new territory, but it contains diseased trees. The only reason for a person to oppose the whole NAFTA agreement is that he dislikes the forest. Individual diseased trees are not a reason to burn down the forest. They simply reflect that no handiwork is perfect, certainly not the handiwork of (near ?) trade negotiators.

Let me give the macroeconomic picture. As Gary Edson mentioned, US exports to Mexico are booming well ahead of the timetable that Jeffrey Shott and I laid out in our book. Based on five month data, US exports this year to Mexico will be about $40 billion, and the United States will enjoy a trade surplus of about $7 billion, which is some $9 billion higher than two years ago when

these negotiations started. And why swing in the other direction

well, from a trade deficit to a trade surplus, has conservatively created, already created about 135,000 net jobs in the United States. And by 1995 at least 175,000 net new jobs will be created in our economy by the powerful combination of Mexican reforms and the NAFTA accord.

The underlying secret behind this spectacular story is the surge of investment capital into Mexico. Jeff and I had projected capital inflows of about $18 billion into Mexico in 1992. Instead, Mexico will receive about $20 billion, of which about five-and-a-half billion are direct investment.

You all recall the impact that Ross Perot's critical remarks had on the Mexican stock exchange, and you have to ask yourself how bright would the turnaround story in Mexico be if the American public and the US Congress were to reject the NAFTA?

So in our view the reasons for the US Congress to ratify NAFTA are overwhelming. Nevertheless, the agreement does have two major problems underscored by the Majority Leader's remarks and these must be addressed in final negotiations and in the ratification process.

First, so far as we know NAFTA does not adequately address the labor adjustment issues here in the United States. Second, it may not answer a range of legitimate environmental concerns. Over a five year period with NAFTA the United States will experience about 150,000 job losses and about 325,000 job gains, and there will be a very severe mismatch in both skills and location between the jobs created and the job displaced. Job losses will be most severe in unskilled and semi-skilled factory positions, and there will be many, many stories of the sort illustrated by Zenith and Smith-Corona and the Broomcorn (sp) case.

We call for 1.2 billion over five years -- 1.2 billion over five years to address squarely the NAFTA-related job losses.

In Gary Edson's remarks, I noted recognition of this problem, but the Reagan and Bush administrations have a long record of trying to zero out all trade adjustment assistance. In my view commissions and consultations and questionnaires are no substitute for hard money.

Turning now to environmental concerns, they boil down to four issues.

(MORE)

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Enforcement of existing standards, which are often as high or higher in Mexico than in the United States or Canada. Harmonizing up standards in those infrequent instances where industry moves to the country with lower standards. Third, ensuring that environmental standards are not used as a stage set for trade protection. Fourth, finally, and most importantly, providing at least $5 billion over five years to clean up and improve appalling sewage water and air basin conditions in the border cities.

The United States has skilled and dedicated negotiators dealing with all these issues, exemplified by Dan Estee (sp), who is here with us today. As far as we can tell, the negotiators have made good progress on enforcement issues, some progress on harmonizing up -- but more needs to be done. They have made very good progress on the disguised protection, trade protection problem. But the question of adequate money for border city issues remains a very big question indeed. In our view, the shortcomings on labor and environmental questions can be corrected by Congress and the administration out of general revenues, not out of a new transactions tax that would defeat the very purpose of NAFTA, and these corrections can be made without burning down the NAFTA issues.

Jeff will address some other issues.

MR. : Thanks, Gary. I know how much all of you would like me to summarize the results of our 350-page study, but I think instead I will take just a few minutes to add to some of the issues that Gary has mentioned where we share the concerns of Congressman Gephardt, and address a few areas where negotiators, as we know from our past experience, are prone to take too deep a bow towards protectionist forces or are prone to be too meek in efforts to liberalize trade.

Now, at the top of our priority watch list for potential NAFTA abuses is the development of rules of origin. These are arcane trade provisions that are designed to determine which goods qualify for preferential treatment, and to prevent transshipment of imports from low-tariff to high-tariff countries. This is the export platform concern that we all share. While origin rules are an essential component of a free trade area, negotiators are often tempted to craft special and more restrictive rules for specific industries, and these can mask increased protection against third country competition.

Now, on crafting rules of origin, we need to be careful not to shoot ourselves in the foot. We often do that in our trade policy

particular dangers. First, if we want to build world class products

that can compete in world markets, we need to take care not to penalize our producers by forcing them to source from less than world class suppliers. If we do so, we undercut the international competitiveness of our firms, the very reason why we want to pursue NAFTA and other trade initiatives. And this point was addressed and supported by both Congressman Gephardt and Gary Edson.

Second, our discriminatory rules establish precedents for other discriminatory trading arrangements in Europe and potentially Asia as well. NAFTA rules of origin are likely to be emulated abroad. And if they follow what is seemingly in the draft provisions of the current text, they're likely to come back and bite our own exporters.

In the NAFTA we're most concerned about rules of origin in two sectors, in textiles and **autos.** In textiles, the negotiators seem to have reached an agreement on a triple transformation test which makes the already protectionist rule in the Canada-US Free Trade Agreement seem quite liberal by comparsion. And we regard this special protection for textiles and apparel in the NAFTA as the first move in the industry's counterattack against the proposed global reform of the multi-fiber arrangement in the **GATT** Uruguay Round negotiations.

In autos, the NAFTA is likely to adopt a net cost approach for origin calculations, and this would be an administrative improvement. But at the same time, the NAFTA may also include requirements for key components and a high North American value-added test. And together, these rules would substantially raise the overall local content requirements.

Now, our concerns in these areas diminish if three conditions are met. First, the three countries cut their tariffs substantially in the Uruguay Round. This reduces the margin of preference between the preferential rates and the MFN, Most Favored Nation rates. Second, the three countries move toward adoption of a common external tariff, especially in autos, thus thereby mitigating the transshipment problem we're so concerned about. And third, if the three countries adopt provisions in the NAFTA to provide flexibility via a standing trilateral panel to deal with unforeseen problems as they arise, and as could have been very useful in dealing with the recent Honda dispute.

Now, our priority watch list also contains two sectors where trade and investment barriers seem resistant to change -- in **agriculture** and **energy.** And I hope in these two areas that the negotiators have made progress so that our concerns may be assuaged.

But in agriculture, we recognized in our study that liberalization would entail substantial adjustment in both the United States and Mexico. And therefore, we recommended the gradual phase-in reforms over a 15-year period. We realize that the lack of

an agreement in the GATT on agricultural subsidies has hampered the NAFTA talks, but we still regard the negotiation of a grand bargain

linking Mexican reforms in corn and beans with US reforms in fruits and vegetables as both desirable and do-able.

In energy, increased **oil** production and trilateral energy trade should be the goal, and the NAFTA should encourage Mexican leaders to do as much as possible in that regard within the confines of their constitutional constraints. And in particular, we believe the Mexican market for oil field services and equipment should be open to a far greater level than negotiators have achieved to date.

In conclusion, we feel that an evaluation of NAFTA should look for solid accomplishments, not miracles. And if the NAFTA foundation is properly prepared, the agreement can provide a big step forward both for North American integration and, indeed, for integration throughout the Western Hemisphere.

Thank you very much. (Applause.)

MODERATOR: Okay. Thanks to Gary and Jeff, and now we're going to go back to Congressman Gephardt and open the floor for questions to him on his remarks today. The floor is open.

Bill Klein (sp) in the back.

Q (Off mike) -- 2 percent, it would generate about $1 billion a year, or $6 billion in six years, and yet it would still mean a very substantial reduction in -- (inaudible). I am puzzled, however, by the provision for decent wages if that means somehow either a different minimum wage in Mexico or import -- (inaudible.) It would mean a very substantial rise in Mexico's minimum wage, which would probably cause an inflationary destabilization. Or (c), if it means merely some supervision to make sure there are not artificial deductions such as you were describing, that would make a lot of sense. So I wonder if you could clarify the meaning of a decent wage.

REP. GEPHARDT: Well, I think the goal of both the United States and Mexico is and should be to have a high standard of living, and part of what you're seeing today in the anger among American workers is the feeling that we have had erosion and at least a freeze in standard of living in the United States. And when they look at a Mexican agreement, like many Canadians are now looking at the US-Canadian agreement, they see the necessary result of it being a further lowering of wages in the United States, as the Canadians now see this happening to themselves. So it seems to me that work in this area on a code of conduct is important. I said in my speech it should not be the American minimum wage, but it seems to me there should be an encouragement through a code of conduct of a higher standard of living. This should be a statement made by the treaty as a goal of both governments.

We also have to be aware of the deducts that you mentioned. Many of the Mexican workers have told me that there are deductions taken out in some of these corporate towns for things they don't

even understand or know about, so I think that has to be taken into account, as well.

There are many labor treaties, workers rights treaties that are today in force in the world and between Mexico and the United States, and I see the code of conduct as being one way of trying to see that those promises are better lived up to, especially by companies -- American companies who are hiring Mexicans across the border.

Q Could I ask a clarification on that, Dick? You said in your remarks that the code of conduct should be actionable. Codes of conduct in frequent parlance are voluntary. You suggested, however, I think, it should be part of the treaty and therefore part of the legal apparatus. So just to clarify, I take it you do mean legal obligations on the companies to meet the criteria that you --

REP. GEPHARDT: One of the real complaints by our labor community is that the treaties that we have reached internationally and with Mexico on labor and human rights are never enforced, that they are just words on a piece of paper, and we never see any movement or way that those promises can be carried out. And I'm not trying to foretell what could be actionable in this treaty in a code of conduct, but it seems to me that when we have a wage disparity of ten to one and all of the difficulties that Mexican workers face and all of the concerns our workers have about jobs moving to Mexico and further eroding the standard of living in the United States, that this is a place where we could put into the treaty a reasonable code of conduct that could be actionable.

Yes.

Q Mr. Gephardt, I'm offering these -- (inaudible). Are you, in fact, saying that you -- (inaudible) -- pass the agreement in this -- (inaudible) -- Congress if your concerns -- these concerns are not met by -- (inaudible) -- fast-track. And is that, in fact, saying that the White House has -- (inaudible). If it does, how do you keep other amendments by other interested parties from also being -- (inaudible)?

REP. GEPHARDT: Well, as you know, we have not yet seen an agreement, and we certainly haven't seen implementing legislation that would carry out the agreement. And, as you know, the Congress does not pass on the treaty. We pass on implementing legislation that would carry out the treaty.

I have raised these concerns before. We voted on fast-track. I have raised them during the negotiation, and I'm raising them again now as we come toward the end of the negotiation so there is no possible misunderstanding on anyone's part as to what it is that I and others in the Congress feel strongly about and want to be properly addressed in the implementing legislation. We will

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cooperate in trying to construct that legislation. We will try to put into that legislation things that we think are important to be there.

One of the reason I brought up the transaction tax is that, when I look at this cluster of issues, you usually wind up back on one problem, and the problem is money. The Mexicans don't have enough money to do the things that need to be done, and we all daily live through the budget wars in the Congress, and we don't have the funds that are needed to do many of these things.

Someone said that the proper amount of money that was asked by the administration for the **EPA** for certain activities at the border has not been appropriated. There's a good reason for that. The Congress on this budget and every other part of its budget is having to go through all kinds of constraints that are imposed by a very tight budget.

If these efforts in environmental regulation, in infrastructure development, in worker placement and training do not have a protected and significant funding source, they will not happen. As was said a moment ago, the training adjustment assistance, which has -- was an effort in the '70s by the Nixon administration to get the GATT approved by the Congress has never, since 1981, been funded. In 1981 the Reagan administration zeroed it out. There was no money whatsoever for it.

So one of the things I'm trying to raise today is a way that we could find the monies that are needed to carry this out. So, it'll be an effort in the process of considering implementing legislation.

And what I said at the time of fast track was a simple statement of fact, and that is that while fast track was designed to allow a treaty or implementing legislation to go forward without amendment, there is nothing in the rules -- and we've consulted extensively with our own experts and parliamentarians -- there's nothing in our rules that says we cannot raise significant changes in the legislation if it's the decision of the House to consider the legislation in that way. I also said at the time I did not want to use that process as a way to bring up all manner of changes that had been negotiated out in the treaty. But, as I've said here today and said many times, there are significant nests of issues in which this treaty must sit. And if these issues are not treated correctly, we're going to try to see that they are.

Q Congressman Gephardt, you wouldn't happen to know whether Governor Clinton shares the views that you've expressed --

REP. GEPHARDT: I have talked to Governor Clinton about this and a variety of other issues in the past. We have shared all of the letters and the legislation that we have written in this area with **Governor Clinton's campaign** and with the people in his campaign that have been directly charged with responsibility in this area. They're fully aware of what I am saying today, but I do not represent what I say as in every respect the view of Governor Clinton. I think that you already know by the tenor of the campaign that he feels strongly about workers' rights and wages. He feels strongly about the environment, as does Senator Gore. And they feel strongly about building the infrastructure and investing in the infrastructure of this country. And I would suspect that many of the views I've expressed here today would be favored by Governor Clinton.

Q Do you feel there's an adequate disclosure of what the (text is?) in the North American Free Trade Agreement?

REP. GEPHARDT: I'm sorry?

Q Do you feel you know enough about what is in the free trade agreement, based on what has been (disclosed ?) so far? (Inaudible)?

REP. GEPHARDT: I do not know what all of the provisions are. I know what you've reported and others, and we've had many briefings with our trade negotiators and with Carla Hills. They have, for a number of reasons, kept much of this under wraps, and I can understand why, in a sensitive negotiation, that would be important to do.

We have had less than the success I had wanted in trying to work our way through the kind of issues that I've talked about today. But we are willing to wait and see what is finally produced, and we will make our judgment and our recommendations and our suggestions, all of which I hope will be constructive, at the time that the treaty is initialed and entirely revealed. As all of you know, we do not pass on the treaty, we pass on implementing legislation that is to carry out the treaty. That's what the Congress takes up.

Q Bob Wyden (sp). Same question as Joe (Grunwald ?) but actually another one. How wide is the support among the House Democrats for the specifical proposal you've outlined here?

REP. GEPHARDT: Well, I don't know the answer to that directly. As you know, fast track passed in the House but it passed in my view because there was an exchange of letters between a number of us in the Congress and the President and there were assurances given that these issues would be taken up and would be dealt with successfully. I will tell you that a lot of our Members in border states who are seeing most vividly some of the economic benefits of greater collaboration with Mexico, feel very strongly about these environmental and infrastructure issues, and labor adjustment

issues. Every year I get a number of complaints or requests by representatives from border areas for the need for the building of infrastructure in their areas. One of the representatives from the El Paso area told me that there's a need right now in **Texas**, in his region to build 780 new classrooms, school classrooms just to take the influx of people who have come to his region.

I expressed in my speech what I have seen on both sides of the border. The needs are gigantic in terms of infrastructure and in terms of environmental regulation. So I think you will see a lot of support in the Congress, even among people who are most clearly focused on the economic benefits that can come from a treaty, on all of these issues that I think have to surround the passage of a treaty.

Q Could I just continue this line of questioning a second? The House, as I mentioned at the outset, recently passed HR 5100 under your leadership. It's got a number of proposals for trade policy change this year. A, do you expect to see trade legislation pass this year, becoming law? B, what's the relationship between those proposals and what you see happening in the ratification of NAFTA and even possibly the Uruguay Round early next year?

REP. GEPHARDT: I think we're likely to try to pass trade legislation this year. It's my understanding Senator Bentsen is working on a bill that would mate up, link up with the bill we passed in the House.

As you know, I think Super 301 has been a valuable tool.

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I think even critics of it from the outset believe that it's done some good and should be continued. There is much more controversy and difficulty over some of the provisions we added to the bill that a number of us feel strongly about, especially in the automobile area. How that will all come out, I can't foretell to you directly today. We're going to work very hard to get a bill finished.

In a way, I think it would -- it's a very different set of issues, although there are some relationships with GATT or with NAFTA, and I don't know that it would affect it that directly. I do think that both GATT and NAFTA are next-year issues. I don't see either of them being considered by the Congress this year.

MODERATOR: Paula Stern (sp)?

Q We heard from Gary Edson about the adjustment assistance in connection with the timing of when we were going to see a program put forward by the Bush administration, suggesting, from what I could hear, that it would not be -- necessarily was concluded -- (inaudible) time, but rather would be put in place when Congress considers the NAFTA itself, which is next year. My question is about the timing of that nest of issues, if you will, the worker adjustment questions, compared to the timing of the NAFTA. It's been negotiated now for a year. We hear that the questionnaires have just been sent out in the last month or so regarding worker adjustment assistance.

Gary Edson said that you don't need to prescribe the medicine until you've seen whether the patient is ill. My impression, at least in health care, is the cheapest health care is preventative medicine. So I'm interested if you could comment on the timing of the worker adjustment planning and negotiations compared to the timing on NAFTA, and if you could throw some light on why the United States, the Bush administration has set it in that fashion, so that they're staged one after the other rather than simultaneous.

REP. GEPHARDT: Well, as you know, the way the procedure works is we have 90 days after the initialing of a treaty, which is designed to put together the implementing legislation, to take recommendations from different sources. When we did US-Canada, there were specific recommendations made out of the Congress in certain areas, and indeed, the draft got changed after the initialing in order to accommodate those requests. So my assumption is that once there's an initialing, whenever that occurs, we then move to put together the implementing legislation, and that's when specific recommendations, some of which are along the lines that I gave today, will be made.

Now, could we, should we try to pass something before the year

is out? I don't know the answer to that. We may think that's a vital thing to do. We may suggest legislation in some of these areas at that time, later this year, and try to do something. On the other hand, we just may wait until next year when this is going to be taken up in terms of implementing legislation.

MODERATOR: A question up here?

REP. GEPHARDT: One other point I wanted to make that I think is important and that Paula touched on. One of the great concerns out there -- and it's presented by the evidence that your folks so ably presented. Let's say you're picking up 300,000 new jobs. Most people say they are higher-skill jobs. But let's say you're losing half of that in terms of low-skill jobs. And so, a lot of people look at that and say, well, what's the big deal? We're gaining jobs, and so what if 150,000 people or whatever it is are inconvenienced by the problem?

I'll tell you why. If you're one of those people, it's a big problem. It is a big problem. And what we have to convince them of and their families of is that we've got some semblance of a program that will deal in real terms with their problem. And it goes beyond just adjustment.

And it goes to the heart of what I think we've got to start talking about in this country, and that is what kind of a country do we want? Do we want a high-wage, high-skill society, or are we willing to have thousands and thousands of Americans who do not have skills just ground up by the kind of competition that we face today? Now, I think we all would easily agree we want a high-wage, high-skill society, but it's a difference between agreeing to it easily and putting into place the kinds of initiatives and programs that will actually achieve that, that will actually make that happen.

Now, in some places in Europe, and I appreciated the fact that Europe hasn't been great in some areas, but, by golly, they've decided what kind of a society they're going to have, and they've put in place the kind of training regime in most of those countries that allow their people to be high-skill, high-productivity, high-wage. And so, in my view, all of this goes a little bit beyond just a TAA and trying to get a few people skilled up to go to the next minimum wage job and having a real training regime in this country over a long period of time that is designed to make this a high standard of living society. And to date, I have not seen that.

MODERATOR: A question up here. I'll ask people to go to the mikes. We'll spend about another 15, 20 minutes, because we've got a lot of questions out there.

Q Many of the problems you're mentioning, whether here or in Mexico, are problems of very long standing. And, in fact, if NAFTA wasn't around or if NAFTA just -- the problems are going to get worse in many cases. The question is, if one goes for the perfect, the best legislation on all these issues, and in the

process creates enough opposition to undermine NAFTA, does one lose an opportunity to begin a process, at least, to deal with these problems? In other words, are we asking for too much at the outset, given the fact that we know how difficult and longstanding and really intransigent some of these problems --

REP. GEPHARDT: Well, I'll just -- I'll put it to you this way. You come with me and stand in front of a Zenith worker and ask if we're asking for too much. You talk to their family who have lost their health insurance, whose kids are sick, who don't know what in the world they're going to do with their life, who have been destroyed, and tell me if we're asking for too much. Or you go stand in the colonias (ph), as I did, in knee-deep mud and talk to a mother whose child has dysentery.

Now I agree with you, these conditions exist today and we want to try to solve these problems, and we don't want to stop something that has the potential to help solve them. But we cannot let the opportunity go by to just deal with the commercial issues, which are tough and complicated, and not deal with the human and environmental issues that are so interlocked in the commercial issues.

These people are there today, they're going to be there tomorrow and we've got to begin dealing with their concerns and their problems, and we can do it. There's nothing here that's that hard or difficult. But if we just conclude that you know, 10 years from now everybody's economy is going to get better and therefore all these problems are going to be changed, that isn't good enough. That isn't going to get it. And I just -- I want us to all keep focused on what we're trying to do and what it means to real people and in good faith try to find real answers to these problems. I do not view this as a political issue, I do not view it as some kind of arcane debating thing we're going through. There are real people involved in this who are counting on us, people in this room and other people who are involved in this to do the right thing and to put in place the right kinds of answers to these problems. I'll go -- let me go back to Europe because I think it's important.

Nobody's ever done this. I don't know of a situation in the world where two countries with a border this long, with economies this diverse have been married. In Europe you're talking about three countries that had a very similar standard of living, in fact compared to what we have with Mexico, and look at what they have done. Now you can argue they've -- they did too much or that they -- that some of their efforts didn't work. You can argue all kinds of things, but they have -- I've met with the European representatives and they have lobbied their governments to get from 18 to $22 billion this year in adjustment assistance. That's a remarkable effort by these governments. So if they can do it and they have done it in a similar but different case, surely we ought to be able to figure out how to do it and not just you know, scream at one another and say, "Well, this is impossible and we're not going to do it." I think we're better than that. Surely we're better than that.

MODERATOR: Jack Sheehan (sp).

Q Thank you. Congressman after (Gary ?) spoke, I sort of reflected on an issue that I think that you were saying and that's this whole question as to whether we're going to have parallelism or integration.

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And I'll just tick off here two items.

One, I must say -- (inaudible) -- for the last twelve years that we have had constant and consistent opposition to the funding and even the concept of -- (inaudible). That's on the record. That's a history that -- (inaudible). In your comments you made some reference to a transactional tax. I'm wondering whether you could integrate it right into a NAFTA -- (inaudible) -- transaction tax and the statutory -- (inaudible) -- to work. I think you ought beyond what you just now stated, at least in this area. Therefore there will be -- (inaudible) -- integration.

The second part -- (inaudible) -- environmental concerns, and again it assured a higher standard of living, indicates -- what -- we may be willing to do better on environmental concerns, but your recent expression -- (inaudible) -- was saying if we go forward in these areas, we are indeed going to be -- suppress our economic growth. What's to prevent Salinas from saying after he gets the treaty in place, "Well, look, you know, I made these commitments on the environment, but my economic growth is going to be affected by this." And you made a reference -- (inaudible) -- on it to an unfair trade practice -- integrate right into the NAFTA agreement not to -- (inaudible) -- but to an unfair trade practice, a feature that could indeed enforce both of those two items.

REP. GEPHARDT: Well, I think you do need to put into implementing legislation whatever it is we're going to do to treat these problems. I am unwilling to put if off for another day and say, you know, "We'll try to treat that in some other venue." I think it has to be done in the implementing legislation.

Again, the reason I talked about a transaction border fee or tax was that I -- without an assurance, a concrete, no-getting-out-of assurance that these monies are going to be there over the long haul for our training and adjustment, it's just not going to happen. The record is clear. We are not going to make that kind of a commitment in a budget that already has terrific competition for resources in many, many other areas, as you well know, not to speak of a $400 billion deficit that we're trying to do something about. So there's just -- there's got to be a -- an insured funding source for that kind of activity.

On the environment, I think it's just, frankly, a problem of money. I think the Mexicans mean well. The Mexicans don't want their environment endangered to the extent it is. I've talked to President Salinas. I've talked to his environmental ministers. I think they're sincere. I think they want to do the right thing.

The plain truth is that enforcing intelligently environmental

regulations is very difficult to do. We know that ourselves. We have our own problems with a very well-funded **Environmental Protection Agency** getting the job done sensitively and intelligently. It is ridiculous to think that Mexico is going to have the resources in order to get this job done. And it is not being done. There are just no two ways -- not because of intent, but because of the ability to have the resources, the training, the personnel, the capability to really make it happen. We can help with that. But again, we need a funding source, in my view, that will allow it to happen and it, again, must be, in my view, handled in the implementing legislation.

Now why do I make a deal out of the funding source? Because I think it's imperative, I think it's necessary to see a way to deal with these problems. I don't think we can impose that funding source simply through American law. I think it has to be agreed to in the negotiation with the Canadians and the Mexicans. And that's why I think it's something that has to be addressed rather soon.

MODERATOR: Sandy Maeser (ph). Go to the mike behind you.

Q Congressman Gephardt, you talked about all the needs and the need for this funding source. Would you put a ballpark range of what you're talking about for this to be -- (inaudible)?

REP. GEPHARDT: I don't know at this point. I'm not -- I haven't come to that conclusion. I think we have to start not with a figure, but start with what we're trying to do in these areas and come to some reasonable conclusion of what it's going to take, and then get to the number by deduction. And I think if we'll do that honestly, we will be able to figure out what it's likely to cost over a period of time.

I realize you can't do all of these things at once, and I realize they all can't be accomplished in the first year or even two years. But there has to be a measurable, concrete, believable way that these things can come about. And importantly, the resources needed for it have to be found.

Let me just say, you stand in the colonias on either side of the border and you look at people without sewage, without water. I asked one woman what happens when somebody gets sick. She said, "We put them in a dumptruck and we haul them from hospital to hospital, if we can find any on the Mexican side. If they're still alive, we try to get across the border with them and we shop them through emergency rooms on the American side."

There's no infrastructure. People have been encouraged to come up there and -- you know, people say to me, "Well, they're no better off in the interior of Mexico." Well, I would debate that with you. At least they are in a situation that they've grown up in that they can more or less begin to deal with. They have been drawn up to the border to get jobs. Many of them don't get jobs, and they wind up in a much worse situation without any reasonable social

infrastructure in order to deal with their problems.

So we've got to deal with these things. We've got to figure out what the costs are, and then come to a conclusion and try to figure out how we're going to get a funding stream to pay for it.

MODERATOR: Judy Bellow (ph).

Q Mr. Majority Leader, I enjoyed your remarks today, as I always do. And I share your objectives in promoting a solid NAFTA. I listened very carefully to your remarks and I thought there were two resonant themes throughout your remarks, and that was change and opportunity. These are the two words that I found occurring most frequently.

I would like to ask you as a fundamental proposition, would any of us here today have the privilege and luxury of trying to figure out the best way to capitalize on NAFTA as an opportunity for this mutually beneficial change if it weren't for the vision of President Bush, the tenacity and leadership of Ambassador Hills and her team, including, of course, Mr. Edson and Dan Estee (ph), and of course, also the leadership of the Congress, including yourself in particular, in extending the fast track procedures last year?

REP. GEPHARDT: I think it is an opportunity, and I said that from my first letter to the President, that this is an opportunity for all of us that we should not miss. But in order to make it an opportunity and not a further problem, we have to try, as I said a moment ago, to do we have to try, as I said a moment ago, to do the right things to bring about the change that I think most reasonable people would believe needs to take place. And, in a way, as I said a moment ago, it goes back to what I hope will become a shared vision in our own country of what we want our own country to be. And that is that we seriously want a high quality of life and a high standard of living that's growing in this country, and we are willing to do the things that have to be done in order to bring that goal about. My sense is that some other countries in the world have been more serious about that, have done more to create it and to help the private sectors in their countries to create it, and I would hope that we could take that on as a goal. That's the real change, along with a NAFTA that can be part of that.

MODERATOR: Our revised closing hour is now at hand. I'm sorry, because we have a lot of additional questions and hands raised. We could go on all day. It's a tribute, Mr. Majority Leader, again to your remarks and your leadership. We thank you for joining us. Meeting adjourned. (Applause.)

END

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