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THE WHITE HOUSE

WASHINGTON

MEMORANDUM

TO: Roy Neel
Bill Burton

FROM: Andre Oliver

RE: Status of NAFTA Negotiations

DATE: 3 August 1993

At an NEC deputies meeting today, Rufus Yerxa outlined several outstanding issues in USTR's negotiations on the NAFTA.

I. Supplemental Agreements

o Environmental Supplemental

Negotiators are finalizing the "breath and scope" of environmental laws covered under the agreement. They have tentatively agreed that domestic laws related to industrial emissions, waste disposal and protection of wild flora and fauna will be covered under the environmental enforcement agreement. Laws related to the harvest and management of natural resources and wildlife (eg, fisheries, etc.) will be exempted from the agreement.

There is also the issue of the strength of the enforcement provisions should a country find another trading partner in breach of environmental laws. USTR is pushing for trade sanctions as an enforcement mechanism. The Mexicans are advocating two lesser enforcement methods -- fines and sunshine provisions.

o Labor Supplemental

Yerxa's assessment of the current negotiations indicates trouble in this area. USTR's goal is to obtain the right to impose trade sanctions should a company or industry violate its country's existing labor laws. This would include issues of dispute resolution and industrial relations (e.g., collective bargaining, striker replacement, child labor laws, health and safety issues).

However, US negotiators have been unable to get the Mexicans to agree to stricter enforcement provisions above "sunshine" provisions, for any laws other than health and safety. According to the Mexicans, enforcement provisions on laws other than those dealing with health and safety issues are currently "off the table."

Given the US labor movement's voiced concerns on issues such as adequate minimum wage standards, collective bargaining and the right to organize, the group agreed that the current Mexican position will be grossly insufficient here at home. Freshman members of Congress are already viewing a no vote on the agreement the safest bet heading into '94 elections, and a labor agreement that falls short of solid enforcement of existing labor laws will exacerbate their reticence.

II. Timing

Yerxa indicated that he and Kantor could potentially wrap up negotiations within the next two weeks. However, given the need for a stronger labor agreement -- and the need for significant public promotion of the agreement here at home -- the group urged that negotiations be extended through the recess (although the timing was not finalized). Bo Cutter urged Yerxa to draft a memorandum to the President within the next week outlining these issues.

There was no discussion of NAFTA vis a vis promotion of the health care package. It is clear that current West Wing thinking/concerns on the timing of NAFTA need to be shared with Rubin and Cutter at a minimum.

As you know, a "mega strategy" session on NAFTA is scheduled for Aug. 11.

EOM.

THE WHITE HOUSE

WASHINGTON

August 4, 1993

<u>INFORMATION</u>

MEMORANDUM FOR MARK GEARAN
DAVID GERGEN

FROM: MICHAEL WALDMAN MW
SPECIAL ASSISTANT TO THE PRESIDENT
FOR POLICY COORDINATION

SUBJECT: NAFTA BRIEFING YESTERDAY

I attended the NAFTA briefing yesterday, which outlined the substance of current negotiations. (A grand strategy session is slated for next week.)

In a nutshell, the negotiations on the side agreements seem to be far from complete. A particular worry is the labor side agreement, where the Mexicans now are unwilling to consider items that may be politically essential for us.

Outstanding issues –

The *environmental side agreement* is the closest to completion. The issue there is whether or not the remedies for violation will be trade sanctions, fines (against governments), or publicity generated by a trinational panel of experts.

Politically, the thinking is that the side agreement will be strong enough to cherry-pick some of the major environmental groups. To win their support, we must a) fund a border cleanup; b) have strong sanctions for environmental violations; c) create an effective secretariat for the border commission, and d) improve the language on preemption of US laws by NAFTA.

The *labor side agreement* seems much more problematic. The Mexicans will allow fines (but not sanctions) if a country violates its health and safety laws. But they will not consider any remedies for violations of their own law relating to:

- collective bargaining;
- child labor;
- minimum wage;
- hours.

The remedy they seek is "sunshine," i.e., bad publicity.

No labor side agreement, no matter how strong, will be able to peel off any unions from opposing NAFTA. However, the strength of the side agreement will affect the intensity of labor's opposition; in addition, it would be contrary to President Clinton's jobs message if he has no significant side-agreement answer to the "great sucking sound."

Timing –

- They do not envision completing the side agreements next week. As I understand it, USTR believes that they could finish the negotiations next week, if they were forced to. However, they believe that a private commitment by the President to Salinas -- combined with some public campaigning for NAFTA during the August recess -- will embolden Salinas to give us better concessions. (It seems to me that the more likely scenario for negotiations is that they will give us more if they think we might walk away from the table.)

- During August, they seek a drumbeat of low-level activities for NAFTA -- release of a white paper, local Chamber of Commerce visits with Members of Congress, supportive editorials.

NAFTA file

THE WHITE HOUSE

WASHINGTON

To: Mark Gearan
David Gergen
Alexis Herman
From: Ann Walker
Re: NAFTA
Date: June 9,1993

The following is a summary of the "Leadership Seminar" hosted by the NAACP on the effect of NAFTA on the African-American community.

MEMORANDUM

To: Mark Gearan
David Gergen
Alexis Herman

From: Ann Walker

Re: Leadership Seminar On The North American Free Trade Agreement(Hosted by the NAACP)

Date: June 8, 1993

Wade Henderson (Director NAACP Washington Bureau): Stated that this is the first in a series of policy seminars on issues that effect the African-American community. This seminar specifically addressed the implications of NAFTA for the African-American community. Henderson gave a brief overview of both sides of the NAFTA issue and stated that the NAACP Board of Directors will make recommendations on the NAFTA issue in July.

Michael (Mickey) Kantor (USTR): Gave a very pro-NAFTA talk. Stated that the greatest social program is to "grow jobs." Argued that NAFTA will create 200,000 U.S. jobs in two years to make a total of 900,000 jobs related to trade with Mexico. Emphasized that there is nothing to stop jobs from going to Mexico today and that he does not believe that the NAFTA agreement will cause a sudden exodus of jobs to Mexico.

Ronald Brown (Commerce): "I have become a zealot on this issue." He used to be on the other side but then he "saw the light". He believes that NAFTA will narrow the discrepancy in wage rates between the U.S. and Mexico and that without NAFTA we may lose 400,000 jobs due to disruptions in the Mexican economy. There will also be serious immigration problems without NAFTA. He noted that fifteen cents of every Mexican dollar goes to purchase American goods. As far as Congress is concerned, Brown estimated that 1/3 are unequivocally for NAFTA, 1/3 are unequivocally against, and 1/3 are undecided. He believes that NAFTA will pass.

James D. Robinson (American Express): Stated that people underestimate the benefits a NAFTA agreement will bring to small businesses. Argued that if Mexican products were going to displace American products and jobs, they would have already done so.

<u>Question and Answer session with Brown and Kantor</u>:

Bill Spriggs of the Economic Policy Institute: Would countries be able to pull out of side agreements without affecting the main agreement?

Bruce Aiken of the Pro Trade Group: Asked very technical question about how NAFTA will affect the enforcement of trade laws (alluded to 301).

Leon Russell (NAACP Board of Directors): Asked why the NAACP should support the fast-track as opposed to the regular track.

Carl Masters (Trillium? International): Asked what there is in the NAFTA agreement that addresses the minority community and its integration into the post-NAFTA economy.

Lester Thurow (MIT): He believes that we will integrate with Mexico with or without NAFTA. He stated that U.S. firms did not move to Mexico 20 years ago because Mexicans hated Americans and their extreme regulation and socialist policies scared U.S. business off. He estimated that 111,000 jobs were created from trade with Mexico (as opposed to the 700,000 estimated by Kantor & Brown). He also minimized the effects of NAFTA because although Mexico has a lot of people, it is a small market with a low GNP. He argued that NAFTA will effect African-American workers in different ways. Those closest to Mexico will gain because of "synergies" created by trade and those further away (ie South Carolina) will lose. Finally, he stated that Mexico would not be allowed to join the EC because it does not meet the European standards of democracy.

Raul Hinojosa-Ojeda (UCLA Graduate School of Architecture & Urban Planning): He again downplayed the importance of NAFTA on the U.S. economy. Stated that the share of the U.S. economy involved in Mexican trade is only 1/2 of 1%. However, 10% of U.S. labor market growth comes from Mexican migration. We are more connected with Mexico through labor than through trade. Who benefits from U.S.-Mexican trade: white highly skilled, highly unionized segments of the population. Who loses: low wage workers in import-competing manufacturing sectors (mostly Mexican and Latino immigrants). African-Americans will experience a net gain in job growth as a result of NAFTA (although this gain will be small) and Latinos will experience a net job loss as a result of NAFTA. However, he also stated that no-NAFTA agreement would also create many economic difficulties.

Bill Lucy (American Federation of State, County and Municipal Employees): Stated that NAFTA does not make sense for the black community. Jobs will be lost, illegal immigration will rise, and drug trafficking may increase with easing of trade barriers. The consumer market in Mexico is not very large and businesses should invest in the African-American community which is a much larger consumer market. He argues that the jobs that are being lost are high-wage and not low-wage. Thus the argument that Mexicans will take our low-wage, low-skill jobs is false.

Question and Answer:

Dr. Lillian Williams: Asked about the possibility of establishing enterprise zones as a way of developing regions.

Marge Allen: (Question directed towards Raul Hinojosa-Ojeda) Do

you support the Clinton NAFTA ?
Raul Hinojosa-Ojeda stated that he was not completely satisfied.

Jim Johnson: How will increased import of computer literate labor affect American white-collar workers?
What security concerns arise as data bases become available across borders?

Rich Hyde: Is the NAFTA agreement drafted along the lines of a Common Market agreement? (will wage levels equalize upward?)

Benjamin Chavis (Director of NAACP): He questions whether the high-skill jobs to be created by NAFTA will meet the needs of the African-American community. Stated that the NAACP has not developed a final position on the issue. Whatever happens, there needs to be provisions made such as community development banks, social services for communities negatively affected by NAFTA, and tax incentives for businesses to stay in communities that may be negatively affected.

THE ~~WHITE~~ HOUSE
WASHINGTON

4/19 –

Mac –

Thought you might be
interested in this update
from Kantor –

HCo
–

File NAFTA

MEMORANDUM TO THE CHIEF OF STAFF

FROM: MICHAEL KANTOR

SUBJECT: USTR ACTIVITIES April 12 - 18

1. Uruguay Round Negotiations. USTR and EC negotiators met on services, market access and other issues. The EC continues to demand concessions on textile tariffs. Quad representatives will meet next week to negotiate on dispute settlement and organizational aspects of GATT. Regarding financial services, there was agreement to cooperate in order to maximize concessions from third countries that continue to have differences over the maritime and audiovisual sector.

2. EC Procurement - Title VII. Our negotiators have been meeting with EC representatives about our continuing disagreements on EC procurement practices in connection with next week's talks at USTR with Sir Leon Brittan, the European Community's Trade Commissioner.

3. NAFTA Negotiations. We held three days of negotiations with Mexico and Canada in Mexico City on the supplemental agreements on environment, labor and import surges. The negotiations were chaired by Rufus Yerxa, the Deputy USTR, and included officials from the Departments of Labor and State, as well as EPA.

The proposal we outlined contains strong commitments from all three countries to provide effective and meaningful enforcement of their labor and environment laws, and to ensure our citizens of access to judicial and administrative remedies, as we did in the NAFTA itself for intellectual property. Both Mexico and Canada seem receptive to this approach. We also made progress in moving towards strong, effective commissions on both labor and environmental protection with real powers of oversight over national efforts. We do face some resistance from both countries to our concept of a truly independent Commission Secretariat, as well as to our notion that Commission findings and recommendations can be backed up by dispute settlement and possible sanctions. These will be the toughest issues, but I am convinced that my Mexican counterpart, Jaime Serra Puche, now understands how important these elements are to a final package.

On the import surge issue, we outlined a text that is responsive to the Unions' desire to monitor the effects of NAFTA liberalization on employment trends in order to assure timely use of safeguards. Canada and Mexico are studying this proposal. The next negotiating session is scheduled for the week of May 10 in Canada, at which time we will be working from draft legal texts.

4. Miyazawa Visit/Japan Trading Policy. USTR continues its intensive involvement in the development of a Japan trading policy, contributing in a substantial way to all administration discussions and to the development of working papers. I

participated in meetings with Prime Minister Miyazawa, conveying the views of USTR and the other agencies with responsibility for U.S. bilateral trade policy and sectoral market access. We will assist in leading post-Miyazawa efforts to develop the specifics of our bilateral trade agenda with Japan.

5. Coordinated Trade Finance Program. USTR has been reviewing the role and activities of U.S. government institutions that have provided (i) preferential access to capital for U.S. exporters and their customers, and (ii) non-financial support (i.e., political briefings, market data, introductions, etc.) to U.S. exporters. Preliminary assessment indicates that trade finance has not been a significant part of a coordinated trade/investment policy and strategy.

There appear to be some nineteen U.S. government agencies with some responsibility for promoting product access to foreign markets by U.S. companies. These activities have not been coordinated and there is considerable evidence that in most instances agencies are unaware of the others' activities. As a result, both duplication and contradiction of agency activities is very likely.

Further review is necessary to coordinate the U.S. dollar policy, overall U.S. monetary policy (and fiscal policy to a much lesser extent), and the activities of the multilateral development banks and other international organizations. Also, such a review and coordination will create a framework in which USTR will provide the leadership that will significantly enhance overall U.S. global competitiveness.

6. Compliance With Trade Agreements Review/Section 301. USTR will be meeting with the Trade Policy Staff Committee on its recommendations for "Special 301" intellectual property actions. There is substantial agreement among the agencies on approximately 75% of USTR's recommended designations. There are some cases that need further discussions. It's been the USTR's position that firm enforcement of U.S. intellectual property rights is a cornerstone of its trade policy function. Without decisive action on repeat offenders, the Special 301 program will lose it vitality and our consistent message wit respect to strict U.S. trade law enforcement will be undercut.

7. Inventory of Bilateral and Plurilateral Agreements. USTR has initiated and internal review of the entire USTR agenda as a means of prioritizing trade issues and allocating agency personnel and financial resources. In this regard, with respect to all issues, bi-, multi- and plurilateral, we will develop information on the past and present status of negotiations and/or agreement compliance, estimated trade impact (where possible), and a short- to medium-term strategic plan as to the manner in which outstanding issues can be resolved and the benefits to the U.S. from their resolution. This exercise will also enable us to put before the agencies specific matters, the resolution of which

may require further U.S. action.

8. <u>Setting a Schedule for APEC.</u> We are continuing to develop proposals and strategies for the Asia Pacific Economic Cooperation Forum Ministerial meeting in November. As a predicate to the Ministerial, we may wish to propose a heads of state meeting which could have historic consequences. The question whether such a meeting would be productive and would ensure the success of the November Ministerial will depend upon a series of efforts to be initiated through the next working session in June.

9. <u>GSP Renewal/OMB Issues.</u> A top priority for USTR is GSP renewal. This program provides duty free treatment on thousands of items for almost 150 developing countries which meet statute criteria. We'll be working with Leon Panetta to ensure the continuation of the program from a budgetary standpoint. GSP has been a cornerstone of U.S. trade policy towards the developing world and a vehicle in many countries through which the U.S. has achieved significant improvement in worker rights in many developing nations.

10. <u>China/MFN/Trade Agreement/GATT Accession.</u> USTR is actively in negotiation with the PRC regarding market access, intellectual property and other important areas in the U.S. trading relationship. During next week, we will be engaged in a detailed series of negotiations in Beijing as a step to ensure that market access agreements will be complied with and that additional market access barriers will be removed. With respect to the PRC's desire to join GATT consultations as scheduled in March, their efforts were stymied by China's reluctance to take on fully the obligation of the GATT. The U.S. has been firm that China not accede to the GATT on terms different from GATT contracting parties.

11. <u>Congressional Meetings.</u> We met with Representatives Sander Levin and Marcy Kaptur, co-chairs of the Congressional Auto Parts Task Force, to discuss the upcoming meetings with Prime Minister Miyazawa and our developing strategy to deal with the U.S.-Japan trade deficit, including a major initiative on auto parts. The Members reported in detail on ten years of neglect of this important issue during previous administrations and were heartened by your recent statements. They pledged to work with us -- and to involve other Members on both sides of the aisle in this effort.

We also met with Senator Jay Rockefeller who was accompanied by political and private sector representatives of the Chubu Providence of Japan. Senator Rockefeller has been working for years to attract Japanese investment to his state. Consequently, the meeting largely focussed on Japanese investment in the United States and by extension, West Virginia. I used the opportunity to stress our concerns about sector specific trade issues, including auto parts, autos, super and main frame computers, and semiconductors.

12. Citizen Group Meetings. We met with Ralph Nader to discuss Public Citizen's concerns with the NAFTA and the proposed GATT-UR agreement. I reaffirmed that environmental groups will have access to this Administration and that I am committed to ensuring that our trade policy is sensitive to concerns. I assured him that the NAFTA will not go forward without good, solid supplemental agreements. We also set the record straight concerning a number of misconceptions of Public Citizen about the NAFTA and the Uruguay Round. We also expressed my desire for making public general review discussions and dispute settlement under the GATT.

13. Labor Meetings. We met with the International President, Lynn Williams. He raised the enormous pension and health cost problems facing the basic steel industry. At many companies, each active worker is supporting four retirees and their dependents. He advocates imposition of a $5 fee (similar to a value-added tax) on each ton of steel sold in the United States (both domestic and imported steel). He will seek support of management as part of their collective bargaining negotiations this spring. Given that he represents workers in both Canada and the United States, Williams expressed concern about the mutually destructive nature of anti-dumping duty investigations by the United States against Canada and Canada against the United States. He promised to work on some alternatives for our consideration.

We also had a very productive and positive meeting with Jack Sheinkman, President of the ACTWU, focusing largely on NAFTA, but also generally on labor issues in connection with our trade negotiations and on our textile trade policy within the context of the Uruguay Round. Mr. Sheinkman was the co-chair, along with Paul Allaire, CEO of Xerox, of the UN-USA's Economic Policy Council report "Social Implications of a North American Free Trade Agreement." Many of items outlined in this joint business-labor report are in keeping with our goals for the side agreements for NAFTA. We believe there is a good chance that we will be able to work closely with Jack Sheinkman in seeking support for NAFTA.

14. Saturday Group on Trade Issues. Work on defining an overall trade policy framework continues in the interagency trade policy group (known as the Saturday Group), which I chair. At this week's meeting we outlined the highlights of a major speech on the content and direction of this Administrations' trade policy that I plan to give at the National Press Club on May 5. In prior weeks we have been submitting for discussion a series of short, informal "think pieces" on such topics as strategic export criteria and the implications of the new global economy for the trading system. Our next step is to draft a "framework paper" for internal use for ourselves and for possible discussion with the President.

15. Business Meetings. We met with representatives of the Coalition for Services Industries (CSI), including CSI's President, Dean O'Hare, CEO of Chubb Insurance, and John Berndt, President of AT&T Communications. They discussed their interests in trade and investment issues in the services sectors, including the Uruguay Round and NAFTA. The services industries are a critical export sector which have a favorable trade balance of almost $60 billion, and have a major beneficial impact on job creation in the U.S.

John Berndt separately highlighted AT&T's concerns regarding British Telecom's application before the Federal Communications Commission (FCC) to provide international resale telephone service from the U.S., and AT&T's analogous application before the UK's Department of Industry and Trade. AT&T opposes BT's application, unless the FCC obtains assurances that U.S. carriers will enjoy "equivalent" opportunities in the UK market. I informed Berndt that USTR and other relevant agencies (e.g., Commerce and State) are currently examining the BT application to assess its important trade policy implications and assessing how to communicate our views to the FCC.

We also met with John McDonnell, Chairman of the Board of McDonnell Douglas Corporation, to discuss aircraft trade issues. McDonnell supported our efforts to improve disciplines through the multilateral negotiations ongoing in Geneva and urged that we do something about Airbus's financing practices. He had realistic expectations with regard to not attacking Airbus, which is a European sacred cow of technological cooperation. He, however, was looking to the National Commission to Ensure a Strong Competitive Airline Industry to come up with ways to support the U.S. airlines that would pass through to more purchases of U.S.-origin aircraft. McDonnell Douglas is also aggressively seeking foreign equity partners to lower its production costs, provide access to markets, and give it a better chance of survival as a commercial aircraft producer.

Additionally, we met with the heads of the eight industry associations that make up IIPA, including Jack Valenti. They concurred that the major problem countries are Taiwan, Thailand and Korea and that they should be identified as Priority Foreign Countries on April 30. Jack Valenti also underscored the importance of a good GATT agreement, lack of follow-through by Italy on enforcement which is hurting Disney, and the need to develop credible weapons for "Special 301" retaliation. IIPA cited Korean IPR legislation, opening Indonesia's film market, improving Singapore's copyright enforcement and stopping Paraguay's sound recording piracy as examples of special 301 success stories.

16. Other Matters. USTR signed a Trade Agreement with Foreign Minister Tofig Kasymov of Azerbaijan. This is the latest of the trade agreements we have concluded with the Newly Independent States of the former Soviet Union. The agreement accords MFN

status to Azerbaijan and establishes basic guarantees for American commercial activities there.

17. Communications. I had several t.v. appearances including Good Morning America brief interview, CNN re Miyazawa follow-up, and McNeill, Lehrer with a more in-depth interview. I also met with Al Hunt, editor of the Wall Street Journal, Mark Miller of Newsweek, Hobart Rowen of the Washington Post, and had photos taken by Fortune. Finally, I gave the keynote address at the Georgetown University Law Center 1993 Reunion on "International Trade Policy."

THE WHITE HOUSE
WASHINGTON

4/12

Mark -

Background from CRS
on NAFTA for those
"free" moments —

[signature]

In house
NAFTA file

CRS

Congressional Research Service • The Library of Congress • Washington, D.C. 20540

NAFTA: The Proposed North American Free Trade Agreement IP 445N

On December 17, 1992, the leaders of the United States, Canada, and Mexico signed a North American free trade agreement (NAFTA), resulting from negotiations that began in June 1991. Each country must pass the implementing legislation, which is expected to be introduced in 1993. The agreement covers market access, trade rules, services, investment, intellectual property, and trade remedies.

News articles and reports summarize the key points of the agreement and its potential economic impacts. The provisions of the agreement would be phased in over 15 years. Information is included on obtaining a copy of the text and other materials on U.S. trade relations with Mexico and Canada.

Discussions of the roles of Congress and of the Administration are included, describing requirements for fast-track authority and implementing legislation for a trade agreement. Issues for Congress include the significance of expanded business and investment opportunities, the elimination of tariffs and other trade barriers, labor interests concerning employment effects, and environmental concerns.

Members of Congress who want further information on this topic may contact CRS at 7-5700. Additional CRS Reports may be identified by looking in the current *Guide to CRS Products* (for congressional use only) under "Mexico" and "Canada" and in the latest *Update* under "Trade and International Finance."

Constituents may find additional information on this topic in a local library through the use of *Readers' Guide to Periodical Literature*, *Magazine Index*, Public Affairs Information Service *Bulletin* (PAIS), and various newspaper indexes.

We hope this information will be helpful.

Congressional Reference
Division

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North American Free Trade Agreement:

Text of the Agreement

On December 17, 1992, the leaders of the United States, Mexico, and Canada signed the proposed NAFTA agreement. This trade pact would not take effect until each country passes the implementing legislation.

This document, in several parts, is available through the U.S. Government Printing Office. The text of the agreement is in two volumes and comprises 1,078 pages. The tariff schedules for the three countries are in separate volumes and may be purchased separately. A complete set of the text and the tariff schedules costs $139.

The GPO order numbers and prices are as follows:

Text of NAFTA (Vol. I and Vol. II):	041-001-00376-2	$41
Tariff schedules (Annex 302.2):		
United States:	041-001-00377-1	$34
Mexico:	041-001-00391-6	$34
Canada:	041-001-00390-8	$30

Orders may be sent to the address below, or placed on VISA or MasterCard by telephone (202-783-3238):

Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

Additional information on the North American Free Trade Agreement and on trade issues concerning Mexico and Canada is available, free of charge, from the U.S. Department of Commerce through an automated system (Flash Facts). This service is available seven days a week to callers with touch-tone phones and fax machines (phone 202-482-4464). Callers request information on available documents and receive requested materials on their own fax machines.

Congressional Reference
Division

Source: *Wall Street Journal*, February 3, 1993, p. A2.

Mexico Is Viewed as the Clear Winner From Free Trade Pact in Study by ITC

By ASRA Q. NOMANI
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – While seeing the potential for a surge in U.S. exports to Mexico because of the North American Free Trade Agreement, the International Trade Commission found one clear winner from the treaty: Mexico.

In a congressionally requested report just completed, the ITC indicated that any gains the U.S. and Canada get from the pact will very likely be dwarfed by improvements for Mexico. Mexico, the report said, would benefit "substantially more" than either the U.S. or Canada from the trade accord, which was reached last year by the three countries. Congress hasn't released the voluminous report yet, but a summary was obtained by The Wall Street Journal.

The ITC, a quasi-judicial government body that also produces trade-related reports for Congress, generally blessed the pact as an "important step toward free trade in the hemisphere," but acknowledged that certain major U.S. industries – such as autos and apparel – will "experience losses" because of the agreement. It said the Midwest, South and the West would be most affected by the agreement.

Other industries, the report said, that would be hurt include: flat glass, peanuts, shrimp, major household appliances, certain household glassware, certain fresh and frozen vegetables, citrus juice and fresh-cut roses. Many of those industries have been pressing Congress to oppose the agreement or change its provisions so they can win trade protection or reductions in Mexican trade barriers.

The ITC said U.S. winners from the accord would be machine tools, textiles, bearings, industrial machinery, steel mill products, pharmaceuticals, grains and oil seeds, lumber and wood products, cotton and automotive parts. The summary didn't address the effects on consumers.

The report clearly indicated that Mexican industries would benefit the most from the treaty. It concluded that the pact would boost Mexico's gross domestic product – the market value of all the goods and services produced in the country – by anywhere from 0.1% to 11.4% after adjusting for inflation. U.S. and Canadian GDPs would be boosted 0.5% or less, it said.

The summary didn't explain the wide variations in its conclusions. It said, however, that Mexico would gain the most from the agreement partly because its economy is much smaller than either the U.S. or Canadian economies, and any extra boost would have a relatively wider effect in Mexico.

In a benefit to U.S. trade, the report says, U.S. exports to Mexico would increase by 5.2% to 27.1%, while Mexican imports to the U.S. would increase by 3.4% to 15.4%. For the first three quarters of 1992, Mexico exported $26.5 billion to the U.S., according to the U.S. Commerce Department, while the U.S. exported $30.5 billion to Mexico.

The report concluded that U.S. workers would be helped much less – if at all – by the agreement. The effect on U.S. workers has been a particularly thorny issue, especially among labor unions concerned that workers will be displaced by unfair competition from Mexican workers, including children. The ITC projected long-term gains in aggregate employment of less than 1% for the U.S. and Canada because of the pact. It predicted a gain of as much as 7% in employment in Mexico.

The study also projected that the agreement would lift wages in Mexico by 0.7% to 16.2%, adjusting for inflation, while wages would be increased 0.3% or less in the U.S. and 0.5% or less in Canada. The report concludes there will be an "indiscernible" effect on U.S. wages for low-skilled and high-skilled workers. Some other studies of the agreement have predicted U.S. wages will decrease as a result of the pact.

Critics and proponents, alike, could use results from the ITC study as weapons in the congressional battle that's expected to erupt in the coming months over passage of the North American Free Trade Agreement.

Source: *Christian Science Monitor*, February 4, 1993, pp. 6.

Watchdogs to Keep NAFTA Green

By David Clark Scott

Staff writer of The Christian Science Monitor

MEXICO CITY

PUSHED along by environmentalists and politicians on both sides of the Rio Grande, momentum is building to create a new tri-national environmental watchdog agency.

The catalyst is the North American Free Trade Agreement (NAFTA). The pact will come up for ratification in the legislatures of Mexico, Canada, and the United States in coming months. But President Clinton says he will not back NAFTA's approval until Congress passes parallel legislation to prevent industries – and jobs – from going to Mexico or Canada to escape environmental regulations in the US.

"We must have some assurance on this," Clinton said in an Oct. 4 NAFTA speech, calling for an "environmental protection commission with substantial powers and resources."

Opponents say that for a trade agreement, NAFTA already has an unprecedented green hue, pledging "to promote sustainable development." To head off the environmental lobby, Mexico, the US, and Canada officially announced in September the formation of the North American Commission on Environmental Cooperation.

But so far it's not much more than a name. What this commission will do, how much power it will have, who will be on it, and how it will be funded are wide open questions.

High profile watchdog

What Clinton and the environmentalists want is a high profile commission to monitor enforcement of existing environmental and health regulations in all three countries.

The Group of 100, a leading Mexican environmental group, and the Washington-based Natural Resources Defense Council are among those pushing for a commission that includes environmental activists and academics, as well as government officials from the three countries. They want the commission to sponsor investigations, public hearings, and annual reports on compliance with environmental laws – including those governing toxic waste disposal, wildlife protection, and water and air pollution control.

The concept is likely to be fleshed out further in Washington on Feb. 19, when Sen. Dennis DeConcini (D) of Arizona hosts a meeting on the issue, sponsored by Mexican and US environmental groups.

Critics wonder why another environmental oversight body is needed if each of the three countries already has one.

"Because enforcement of environmental laws isn't happening now – and we're not just talking about Mexico," says Lynn Fischer of the Natural Resources Defense Council.

Also, this environmental body will focus on trade. "The commission will point out 'environmental subsidies' and problems which could distort trade and become trade disputes," Ms. Fischer says.

For example, the overcutting of a forest in the Mexican Sierra Madre mountains could become a trade dispute if it affects the habitat of an animal that migrates between Mexico, the US, and Canada. "If Mexico doesn't enforce its protection laws, Weyerhauser or some other US or Canadian lumber firm could claim that Mexican loggers have an unfair trade advantage," notes Pete Emerson, senior economist at the Environmental Defense Fund in Austin, Texas.

The solution, Mr. Emerson suggests, is not for Canada or the US to ride in and enforce Mexican laws. "The three might work together however, with the Canadian or US Forest Service providing some technical assistance to Mexico."

But some Mexican businessmen are concerned that the commission will foist higher foreign standards upon them or hit their exports with a "green" tax. In rejecting environmental add-ons to NAFTA, Carlos Sandoval, president of the National Council of Industrial Ecologists, says, "They are thinking of applying protectionist measures for their products, and in reality they haven't the least interest in protecting the Mexican environment."

Mexican officials take a more conciliatory line. NAFTA is a cornerstone of President Carlos Salinas de Gortari's economic plan, and he doesn't want to see it derailed now after so much effort. "We are willing to work together on anything that makes economic sense. But we won't accept outside enforcement or supervision which impinges on our sovereignty," a presidential spokesman says.

Cooperative commission

Mexico's attorney general for the environment, Santiago Oñate Laborde, welcomes a trilateral monitoring commission. "If properly designed – cooperative but not too bureaucratic – it could be very helpful. The participation of non-governmental organizations, scientists, and academics would be an asset," Mr. Oñate says.

But Oñate wonders whether the commission will have enough power and money to be effective.

Congress is already having trouble coming up with its share of money to pay for the Mexico-US border clean-up announced last year. "Many in Congress question the value of NAFTA now. To fund this from general revenue will be very difficult," says an aide to a Democratic senator.

Rep. Richard Gephardt (D) of Missouri, a longtime opponent of NAFTA, and Rep. Kika de la Garza (D) of Texas are proposing a customs fee or trade tax on all goods crossing the border. The money would be used to finance infrastructure maintenance and environmental programs.

There is also talk among US Democrats of passing legislation that would financially penalize companies or industries that violate environmental standards. Opponents of these ideas, including Mexican officials, say this defeats the purpose of a free trade agreement. "You're creating new barriers to trade," Oñate says.

Meanwhile, the Mexican government is studying several of its own "polluter pays" revenue raising schemes. It is considering setting up a toxic-waste guarantee fund, for example. Industries deposit money into the fund, the interest earned finances enforcement, and the capital is used in case of a spill.

Source: *Journal of Commerce*, January 25, 1993, pp. 1A, 2A.

Diverse Views Cloud Assent On Nafta Side Deals

By RICHARD LAWRENCE
Journal of Commerce Staff

WASHINGTON — Diverging views among U.S. environmentalists, business and labor groups are likely to complicate the Clinton administration's goal of negotiating supplemental agreements to the draft U.S. trade agreement with Canada and Mexico, trade analysts say.

The supplemental agreements, according to Clinton aides, are a precondition for implementing the North American free-trade agreement among the three nations. But if they are not concluded promptly, it will be doubtful whether Nafta could take effect next Jan. 1, as has been generally envisioned.

Two of the agreements, as outlined last October by then-presidential candidate Bill Clinton, would aim at protecting the North American environment and worker standards and rights.

He proposed establishing commissions with Mexico and Canada to help provide that protection.

The commissions, among other things, would have dispute-resolution powers and promulgate "remedies," he said. That includes the awarding of "money damages."

The question now is whether, as labor hopes, the president will hold to that commitment, said an AFL-CIO official. But Colleen Morton, executive director of the U.S. Council of the Mexico-U.S. Business Committee, said she thinks Mr. Clinton's remarks are general enough that they could mean almost anything.

Among the primary issues addressed by Mr. Clinton are the powers the trilateral commissions might exercise and their use of trade sanctions to penalize a Nafta country's failing to meet environmental or labor standards.

The Canadian and Mexican governments are taking a wait-and-see attitude. Canada is not yet committing itself on the proposed supplemental pacts. Mexico is raising complicating questions involving U.S. immigration policies and U.S. and Canadian financial help for its environmental and labor enforcement.

Environmental, labor and business groups in the United States take varying positions on these issues.

Several U.S. environmental groups, including Friends of the Earth, Greenpeace and the Sierra Club, argue for an environmental commission that could impose its findings on the U.S., Canadian and Mexican governments. Its powers, they contend, should include imposing fines and higher tariffs and closing factories.

Two other environmental groups take a milder approach. The Environmental Defense Fund, a spokesman said, wants a commission with "real powers" to help enforce environmental standards, but it stops short of endorsing a supranational commission. It also has not pushed for trade penalties.

The National Wildlife Federation backs the use of some unspecified trade remedies to help in environmental enforcement, but it suggests that an environmental commission should not usurp the trade powers of other bodies.

As for labor standards, the AFL-CIO likes the idea of a "social tariff" to penalize a Nafta country for violations of health, safety and child-labor standards or for failing to allow "the right to organize and bargain collectively."

Such business groups as the U.S. Chamber of Commerce and the National Association of Manufacturers warn that environmental or labor-related trade sanctions would undermine Nafta. They believe any commissions should focus on cooperative ways to raise standards through information exchange, technical assistance and training.

Source: *Christian Science Monitor*, January 11, 1993, pp. 9.

Clinton, Mexican President Endorse Trade Agreement In First Foreign Summit

By Scott Pendleton

Staff writer of The Christian Science Monitor

AUSTIN, TEXAS

THE summit between President-elect Clinton and President Carlos Salinas de Gortari of Mexico boosted the likelihood that relations between the United States and its third-largest trading partner will continue to prosper under the new US administration.

That bodes well for the North American Free Trade Agreement (NAFTA), signed last month by Mr. Salinas, President Bush, and Canadian Prime Minister Brian Mulroney. Upon ratification by their respective legislatures, NAFTA will bind the three countries' 360 million consumers and $6 trillion economies into the world's largest and wealthiest single market.

In obtaining the only pre-inauguration foreign summit with Mr. Clinton, Salinas sought to ensure the Democrat's commitment to a 2,000-page treaty negotiated by Mr. Bush's Republican administration. With Vice President-elect Al Gore Jr. in attendance, the two met at the Texas governor's mansion.

As anti-NAFTA demonstrators and other protesters chanted slogans from beyond police barricades at the mansion, Clinton repeated his campaign position on the trade agreement: He promised not to reopen the NAFTA negotiations, but he insisted that labor and environmental issues would be addressed separately.

In addition, Clinton promised that upon taking office he will appoint an overseer to expedite the handling of all issues related to NAFTA.

"I would like to see this wrapped up in a prompt fashion, but I want these other issues addressed," he said.

Groups are concerned about loss of jobs

Environmental and labor groups charge that NAFTA will lure high-paying jobs from the US to Mexico, where wages are 90 percent lower and where safety and environmental standards are lacking or are not enforced. They point to the vast number of US-owned factories that were erected just across the border under Mexico's maquila program.

NAFTA analysts in El Paso, however, point out that the maquila program already enables any US company to own an export factory in Mexico.

While those operations might take jobs away from the US, NAFTA will enable the companies to erect factories to serve the Mexican market for the first time, casting doubt on the presumption that US jobs would be lost.

Those domestic-oriented factories would likely be located in the interior of Mexico, near the markets, rather than in the sparsely populated northern desert. Thus, if they pollute – and Mexico is beefing up its detection and enforcement capabilities – at least they would not contribute to the problems along the US border, these analysts say.

Texas stands to gain under NAFTA. Already, products from Texas account for half of all US exports to Mexico. Two-thirds of all US-Mexico trade passes through a single Texas border town, Laredo. The Texas Department of Commerce estimates that growth in exports from Texas could create 65,000 direct jobs by 1995.

Clinton vows to respect Mexican sovereignty

Clinton gave Salinas assurances that he would respect Mexico's sovereignty by not kidnapping Mexican suspects for trial in the US. Relations were strained in 1990 when bounty-hunters kidnapped a Mexican doctor wanted in connection with the murder of a US Drug Enforcement Administration agent. The doctor was tried and found not guilty. Clinton had previously disagreed with a Supreme Court ruling that sanctioned the kidnapping, a stance the president-elect reiterated at the press conference.

Source: Business America, October 19, 1992, pp. 3-11.

Key Provisions of the North American Free Trade Agreement

By Anne M. Driscoll
Office of Mexico
U.S. Department of Commerce

The elimination of trade and investment barriers among Canada, Mexico, and the United States will create a strategic economic alliance and the largest and richest market in the world.

Canada and Mexico are top U.S. customers. Based on the first seven months of 1992, U.S. merchandise exports to our neighbors to the North and South are projected to reach a record high of $134 billion in 1992, accounting for 30 percent of total U.S. exports. U.S. exports to Mexico have grown dramatically—tripling since 1987—and this year Mexico surpassed Japan as the second largest market for U.S. manufactured exports. Canada is our largest market.

U.S. imports from Canada and Mexico stand at a projected $134 billion in 1992, or 25 percent of total U.S. imports. U.S. trade with our North American partners is roughly in balance, with a U.S. surplus of $7.1 billion with Mexico offsetting a $7.3 billion deficit with Canada.

NAFTA recognizes the increasing integration of the North American economies and removes barriers to trade and investment growth. It builds on the U.S.-Canada Free Trade Agreement (CFTA) implemented on Jan. 1, 1989.

Market Access

Tariffs: Dramatic Market Opening

- Within 15 years of implementation, all tariffs will be eliminated on North American products traded beween Canada, Mexico and the United States.
- All trade between the United States and Canada will be duty-free by 1998, as provided in the U.S.-Canada Free Trade Agreement (CFTA). Most of our bilateral trade is duty-free already.
- NAFTA provides for the phaseout and elimination of duties on U.S. and Canadian trade with Mexico. On average, Mexican tariffs are 2.5 times U.S. tariff rates and about the same as (pre-CFTA) Canadian rates. Mexican tariffs range from 0-20 percent. Without NAFTA, international trade rules permit Mexico to raise its tariffs as high as 50 percent without paying compensation.
- Mexican tariffs will be eliminated on all U.S. exports within ten years except for corn and beans, which will have tariffs phased out over 15 years.
- Mexico will immediately eliminate tariffs on nearly 50 percent of all industrial goods imported from the United States, including machine tools, medical equipment, and electronic equipment.
- Within five years, 65 percent of all U.S. exports of industrial products to Mexico will enter Mexico tariff-free. This includes some of our most competitive products, such as aerospace equipment, light trucks, semiconductors, computers and parts, and telecommunications equipment, as well as most auto parts, machine tools, and paper products.

Benefits to U.S. Consumers, Producers, and Workers

- NAFTA means U.S. goods will be more price competitive in Mexico. U.S. goods will compete on a level playing field against Mexican goods. U.S. goods will command a price advantage over non-North American goods to the extent that Mexico maintains an external tariff.
- Integration will make U.S. manufacturers more globally competitive, both in world markets and in the United States. The possibility of combining U.S. and Canadian capital, skills, technology, and natural resources with Mexican labor will offer new competitive strategies in areas where the United States has been losing market share.
- Greater North American efficiency means lower consumer prices and more consumer choice.
- Increased output in export industries means more well-paying U.S. jobs. Wages in export-related jobs pay 17 percent more than the average U.S. wage.

Rules of Origin

NAFTA reduces tariffs only for goods made in North America. Tough rules of origin will determine whether a good qualifies for preferential tariff treatment under NAFTA. *(See box on page 25, "How Rules of Origin Work.")*

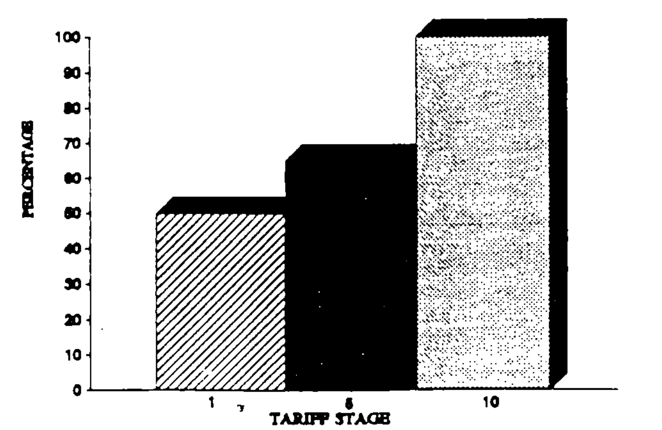
Strong Rules Benefit U.S. Workers and Firms

- Goods traded duty-free under NAFTA must contain substantial North American content.
- Rules reward companies using North American parts and labor. As duties are phased out, the incentive to use North American goods increases.

NAFTA Benefits Only NAFTA Products

- Rules prevent "free riders" from benefiting through

PERCENTAGE OF U.S. INDUSTRIAL PRODUCTS ENTERING MEXICO DUTY FREE UNDER NAFTA



minor processing or transshipment of non-NAFTA goods.

• Mexico and Canada cannot be used as export platforms into the U.S. market.

NAFTA Rules Improve on the CFTA

• NAFTA rules strengthen, clarify, and simplify rules contained in the U.S.-Canada Free Trade Agreement (CFTA). CFTA rules are superseded by NAFTA.

• Fewer NAFTA rules require cost accounting; those that do are based on simpler formulas.

• Most NAFTA rules are based on simple, predictable tariff classification principles.

• New Customs provisions set out documentation, record keeping, and origin verification procedures, and provide for advance rulings, review, and appeal of Customs origin determinations. Cooperation is handled through a joint administrative working group.

Safeguards

NAFTA provides timely, effective relief to American workers and firms needing time to adjust to imports from Mexico. The provisions of the CFTA continue to apply to bilateral actions with Canada.

Two Important Safeguards

• NAFTA contains a *bilateral* safeguard, which permits "snap-back" to pre-NAFTA tariff rates for up to three years—or four years for extremely sensitive products—should increases in imports of Mexican goods cause or threaten to cause serious injury to American firms or workers.

• NAFTA contains a *global* safeguard, which retains our right to impose quotas or tariffs on Mexico and/or Canada as part of a multilateral safeguard action, when imports are a substantial cause of, or threaten, serious injury.

Improved Provisions

• Improved elements of the NAFTA safeguard mechanisms include:

—action in response to **threat of injury**;

—a **longer relief** period for the most sensitive products;

—a **recalibration of the tariff phaseout** schedule upon completion of the safeguard action; and

—an **improved definition of "substantial" cause of injury.**

• **Specific safeguards are also provided for certain agricultural products and for textiles.**

Protection Against Unjustified Actions

• NAFTA protects U.S. jobs and firms against unjustified safeguard actions by Canada or Mexico by establishing clear procedures for taking safeguard actions.

• Any NAFTA partner taking a safeguard action must compensate the country whose imports are affected.

Worker Assistance

• On Aug. 24, 1992, President Bush proposed a five-year, $10 billion worker adjustment program that would triple available funding for all worker assistance, and specifically earmarks at least $335 million annually for any workers and farmers affected by NAFTA.

• The President's program would entail universal coverage, skill grants for retraining, income supports, and other benefits.

Investment

The United States is the largest foreign investor in both Canada and Mexico, with 1991 U.S. direct investment of $68.5 billion and $11.6 billion, respectively. Together, Canada and Mexico account for 18 percent of the stock of U.S. foreign direct investment and 12 percent of annual U.S. capital outflows. Canadian and Mexican direct investment in the United States in 1991 was $30.0 billion and $0.6 billion, respectively, or 7.5 percent of total foreign direct investment in the United States.

NAFTA removes investment barriers, provides fair treatment of investors, and eliminates government requirements

Protection for U.S. Workers

The transition to free trade should result in minimal adjustment pressures in the United States. Our economy is 20 times larger than Mexico's, and imports from Mexico are equivalent to just over one-half of one percent of U.S. GDP. Moreover, half of these imports are already eligible to enter the United States duty-free.

Nonetheless, to ensure a smooth transition for those sectors that will face increased competition from Mexico and Canada, NAFTA provides:

• **Long transition periods** of up to 15 years for the elimination of U.S. tariffs on the most sensitive U.S. products, such as household glassware, footwear, and some fruits and vegetables;

• **Safeguards** that permit a temporary hike in U.S. tariff rates to pre-NAFTA levels to protect U.S. workers and farmers from being injured or threatened with injury by increased imports from Mexico; and

• **Tough rules of origin** to guarantee that the benefits of NAFTA tariff reductions go only to products made in North America.

that distort business decisions. An open investment environment in North America is good for Mexico, Canada, and the United States. NAFTA will expand investment opportunities in all three countries by: reducing costs of inputs; reallocating resources toward more competitive industries; increasing real purchasing power; and offering economies of scale. In addition, the United States will benefit through a strengthened, more competitive industrial sector.

NAFTA Removes Investment Barriers

- Mexico *currently* can review all investment proposals to determine if they are in the national interest. NAFTA gives U.S. companies the right to establish firms in Mexico and Canada or acquire existing firms, but it does not encourage U.S. firms to go abroad.
- Removal of Mexican government approval opens up new opportunities in food processing, construction, mining, and selected petrochemicals. Mexico will continue to prohibit foreign investment in certain "Constitutional" activities (e.g., energy, railroads).
- Mexico may review acquisitions above an initial threshold of $25 million, phased-up to $150 million over ten years (adjusted for inflation and economic growth).
- Canadian obligations track the CFTA except that: NAFTA expands the CFTA definition of investor to cover firms established in a partner country; and NAFTA broadens CFTA coverage to include real estate, stocks, bonds, certain contracts, and intangible property.
- NAFTA does not extend to maritime and basic telecommunications, government-sponsored technology consortia and R&D programs, and existing state and local measures. The Agreement also permits future measures to protect national security.

NAFTA Provides Fairness for Investors

- NAFTA ensures that U.S. investors in Canada and Mexico are treated the same as domestic firms.
- NAFTA provides key rights that facilitate business, such as:

—the right to repatriate profits and capital;
—the right to fair compensation in the event of expropriation;
—the right to international arbitration in disputes between investors and governments that involve monetary damages.

NAFTA Removes Investment Distortions

- Access to markets is an important reason for foreign direct investment. Local sales account for 70 percent of total sales for U.S. subsidiaries located in Mexico.
- NAFTA means more freedom to buy U.S. parts and less incentive to export to the United States. NAFTA will eliminate requirements that foreign investors:

—export a given level/percentage of goods or services;
—use domestic goods or services;
—transfer technology to competitors; or
—limit imports to a certain percentage of exports.

NAFTA Increases U.S. Competitiveness

- NAFTA enables U.S. firms to integrate their North American operations, making them more competitive against European and Asian producers.
- Investment *in* Mexico means more U.S. exports *to* Mexico. U.S. joint production ventures in Mexico buy 51 percent of their inputs from the United States, compared with just 13 percent for U.S. ventures offshore.
- Elimination of Mexico's local content requirement for NAFTA manufacturers will generate even more demand for inputs purchased from the United States.

NAFTA Encourages Environmentally Sound Investments

- NAFTA permits the imposition of stringent environmental standards on investments.
- NAFTA renounces the lowering of environmental standards to induce investment.
- NAFTA permits governments to require environmental impact statements on new investments. Under Mexican law, these are currently required for new investments.

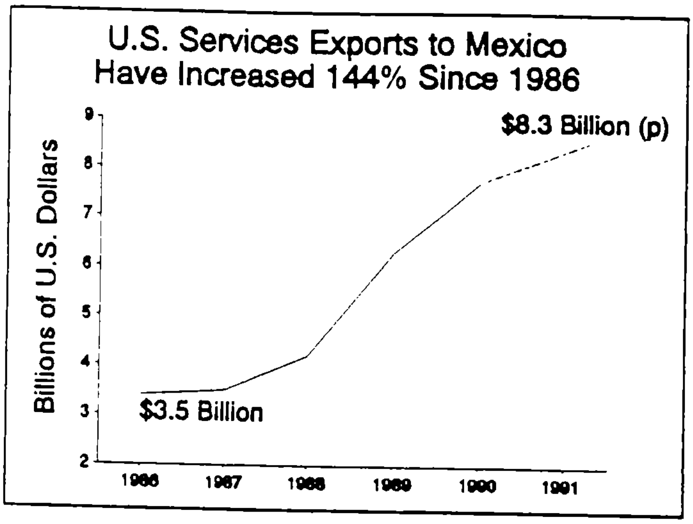
Services

The U.S.-Canada Free Trade Agreement established the first comprehensive set of principles governing services trade. NAFTA broadens these protections and extends them to Mexico. Virtually all services are covered by NAFTA with the exception of aviation transport, maritime, and basic telecommunications. Canada has retained its cultural exclusion from the CFTA. Key covered sectors include:

- *Accounting*
- *Advertising*
- *Architecture*
- *Broadcasting*
- *Commercial Education*
- *Construction*
- *Consulting*
- *Engineering*
- *Enhanced Telecommunications*
- *Environmental Services*
- *Health Care Management*
- *Land Transport*
- *Legal Services*
- *Publishing*
- *Tourism*

Equal Treatment Allows U.S. Service Providers to Be Competitive

- NAFTA opens Mexico's $146 billion services market.
- NAFTA levels the playing field, guaranteeing that U.S. service providers get the same treatment in Mexico as a Mexican firm.
- NAFTA allows U.S. firms to provide services in Mexico without relocating their operations and employees from the United States.



• Licensing of professionals, such as lawyers, doctors, and accountants, will be based on competence, not nationality or residency. Citizenship requirements for licensing of professionals will be eliminated within two years.

Intellectual Property Rights

The NAFTA will promote export-driven growth in some of America's most competitive sectors, such as U.S. high technology and entertainment products, by providing the highest standards of protection for intellectual property—patents, trademarks, copyrights, and trade secrets—available in any bilateral or international agreement. NAFTA "locks in" and extends the protections contained in the world-class IPR law adopted by Mexico in June 1991.

Increased Protection and Enforcement

• NAFTA requires each country to provide for the enforcement of the rights of authors, artists and inventors against infringement and piracy, reducing the risk that products of U.S. creativity and innovation could be unfairly exploited in Canada or Mexico.

• NAFTA ensures protection for North American producers of computer programs, sound recordings, motion pictures, encrypted satellite signals and other creations, including rental rights for computer programs and sound recordings.

• NAFTA locks in the availability of patent protection for most technologies in Mexico, allowing U.S. firms to patent a broad range of inventions in Mexico.

• NAFTA resolves longstanding trade irritants for U.S. pharmaceutical and agricultural chemical companies by expanding the coverage of product and process patents and limiting compulsory licensing of patents.

Improved IPR Increases Trade and Economic Growth

• NAFTA will boost U.S. exports of R&D-intensive goods that require a high level of patent protection.

• Lack of adequate IPR has held back U.S. sales to Mexico. High technology exports account for 32 percent of total U.S. exports to the world, but only 16 percent of U.S. exports to Mexico. Improved intellectual property protection provisions in the NAFTA will enhance export opportunities for U.S. high-technology equipment and service providers.

• By reducing the threat of piracy and other loss, NAFTA provides additional incentives for U.S. inventors and authors to develop new technologies and products, creating jobs and wealth. Higher levels of protection also should lead to increased R&D spending by U.S. firms.

Government Procurement

U.S. suppliers of petroleum equipment and services, heavy electrical equipment, communications and computer systems, electronics, steel products, pharmaceuticals and construction equipment will particularly benefit from the NAFTA's government procurement provisions.

Mexico Opens PEMEX and CFE Procurement

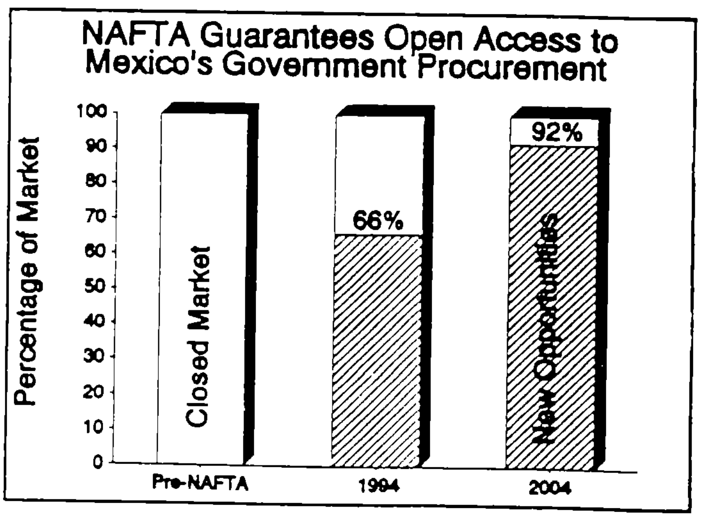
• NAFTA gives U.S. suppliers immediate and growing access to the Mexican government procurement market, including government-controlled enterprises (parastatals) such as PEMEX (national oil company) and CFE (national electric company).

• Coverage of the parastatals is extremely valuable since they purchase more than the federal departments in Mexico.

• For the first time, NAFTA expands coverage beyond goods to services and construction contracts. NAFTA creates substantially increased opportunities for U.S. exports to Canada and Mexico in such services as construction services, environmental services, and computer hardware and software services.

• For covered procurement, NAFTA prohibits the use of offsets in contracts. U.S. suppliers will be able to bid on Canadian and Mexican government contracts without discriminatory provisions that require the use of local purchases/suppliers.

• NAFTA allows for the continuation of U.S. small business and minority set-aside programs.



NAFTA Maintains High U.S. Standards

- The Agreement will not require the United States to lower existing health or safety regulations nor will it impair the ability of the United States to enact or maintain more stringent regulations than Mexico and Canada.
- Countries may choose the level of risk they deem appropriate, but measures must be scientifically justifiable. Scientific and environmental experts may be called upon to provide advice on factual matters.
- The NAFTA encourages use of international standards and upward harmonization of standards and technical regulations among the three NAFTA countries.

Commitment to Fair and Open Procurement Competition

- NAFTA guarantees U.S. business fair and open competition for procurement in North America through transparent and predictable procurement procedures.
- A bid challenge mechanism guarantees suppliers the right to an independent review of the bidding process to ensure that they have not been discriminated against.
- U.S. suppliers will gain access to information and training programs provided by Mexico on the operation of its procurement system to improve their prospects in securing contracts.

Standards-Related Measures

Standards-related measures cover both voluntary and mandatory technical specifications that lay out the characteristics of a product, such as quality, performance, labeling, etc. NAFTA prohibits the use of standards and technical regulations as obstacles to trade. Procedural requirements will enhance the ability of U.S. firms to effectively plan, develop, and market new products in Mexico and Canada, as well as to ensure that the implementation of new regulations does not adversely affect the sale of existing products.

Equal Treatment and Transparency Aid U.S. Competitiveness

- NAFTA directs that standards-related measures must be applied in a nondiscriminatory manner to both domestically produced and imported products.
- NAFTA ensures the standards development process in all three countries is open and transparent.
- NAFTA goes further than any existing trade agreement by allowing U.S. companies and other interested parties to participate directly in the development of new standards in Canada and Mexico on the same basis as domestic firms in those countries.
- NAFTA also requires adequate notice be given before new Mexican or Canadian regulations go into effect. Ample time is provided for affected industries in the United States to make comments.

Examples of Eligibility for NAFTA Temporary Entry Provisions

OCCUPATION	ELIGIBLE	NOT ELIGIBLE	COMMENTS
Farm Worker		✓	
Security Guard		✓	
Day Laborer		✓	
Electrician		✓	
Repairperson	✓		Only if carrying out after-sales service pursuant to warranty
Physician	✓		Only to teach and do research
Accountant	✓		Only if individual is college graduate in that field or possesses professional license
Architect	✓		Only if individual is college graduate in that field or possesses professional license
Lawyer	✓		Must possess law degree or be admitted tc the bar

• Under NAFTA, U.S. testing laboratories will be able to apply for accreditation in Mexico and Canada on the same terms as domestic laboratories in those countries. This will enable U.S. laboratories to perform testing for products for sale in all three markets.

• Labeling requirements will continue to show the country of origin, e.g., "Made in the USA."

• NAFTA continues efforts to make product standards more compatible. It establishes various working groups, which may include private sector representatives, to facilitate work in specific product areas.

Temporary Entry for Business Persons

Expanded trade and the economic alliances developed with Mexican business as a result of the NAFTA will result in more business persons travelling to Mexico. To facilitate this travel, the U.S. and Mexican governments have developed uniform and transparent procedures to facilitate temporary entry of business persons who conduct trade in goods and services as well as investment activities. U.S.-Canada provisions are essentially unchanged from CFTA.

Key Beneficiaries

After-Sales Service Providers: Installers, repair and maintenance personnel, and managerial personnel performing services—or training workers to perform such services—pursuant to a warranty or other service contract incidental to the sale of equipment or machinery (including computer software) purchased from the United States are eligible for temporary entry. U.S. manufacturers should find their exports more attractive because they can offer service and warranty repair.

• **Sales Representatives/Agents, Buyers, Market Researchers, and Financial Service Personnel** involved in commercial transactions on behalf of companies located in the United States.

• **Professionals:** Sixty-three occupations, such as engineers, biologists, and pharmacists, are eligible to use the NAFTA temporary entry provisions.

• **Company Executives and Managerial Personnel:** Provisions facilitate entry. Examples include Chairman of the Board attending meetings in Mexico, a manager engaging in a commercial transaction for a U.S. company, or the intra-company transferee working in Mexico for an extended period of time.

Dispute Resolution

NAFTA has several procedures to enforce the Agreement's obligations and settle disputes.

Rapid and Effective Dispute Settlement

• NAFTA creates a trilateral Trade Commission which will regularly review trade relations among the three countries and discuss specific problems.

• The Trade Commission may create bilateral or trilateral panels, as appropriate, of private sector trade experts to resolve disputes involving interpretations of the NAFTA text. Panelist selection procedures avoid national bias.

• Dispute resolution must be completed in no more than eight months. Countries must comply with panel recommendations or offer acceptable compensation. If not, the affected country can retaliate by withdrawing "equivalent trade concessions."

Special Provisions for Environmental and Health Issues

• The burden of proof is on the complainant party. Panels may call upon expert scientific advice regarding factual matters.

• In those instances where a complainant has a choice of forum (e.g., GATT), under certain circumstances the responding country can insist on NAFTA dispute resolution.

Special Provisions for Investment Disputes

• NAFTA permits investors to go directly to international arbitration for settlement of disputes involving monetary damages with the host government arising from violations of the NAFTA's investment provisions.

Special Provisions for Antidumping (AD) and Countervailing Duty (CVD) Investigations.

• Disputes involving AD or CVD investigations may be addressed by a binational panel. The panel's mandate is limited to whether decisions rendered by Mexico, the United States, or Canada are consistent with their domestic law.

Commercial Disputes

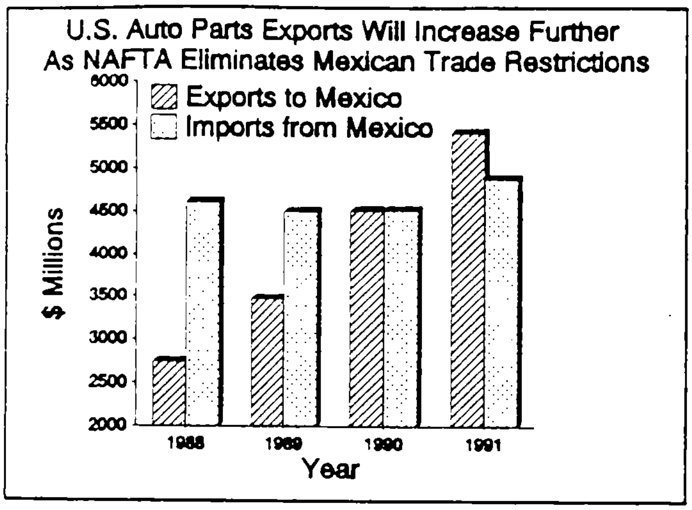
• NAFTA encourages and facilitates the use of alternative dispute settlement for commercial disputes between private parties. Each country must have in place legal mechanisms to enforce arbitration contracts and awards.

Antidumping and Countervailing Duty Laws

• NAFTA will result—in no changes to U.S. antidumping (AD) and countervailing duty (CVD) law. The effectiveness of U.S. trade remedy law has been fully preserved.

• Under NAFTA, U.S. exporters to Mexico gain the same rights in Mexican AD/CVD proceedings that Mexican exporters have under the U.S. system. Mexico has agreed to make far-reaching changes to its AD/CVD law and practice to provide full due process guarantees and effective judicial review to U.S. exporters. These reforms must be in place before NAFTA enters into force.

• NAFTA extends to Mexico the binational panel review of the U.S.-Canada FTA. The process is improved through the use of judges as panelists and changes to the Extraordinary Challenge Procedure. NAFTA contains a corrective safeguard that permits suspension of panel operations if it is not functioning properly.



Sector-Specific Provisions

Automotive

A fully liberalized and integrated North American automotive market will promote increased global competitiveness for the North American automotive industry, as well as enhanced employment opportunities and lower prices for North American consumers.

NAFTA Opens Mexico's Dynamic Auto Market to U.S.

• Mexico is expected to have the only significantly growing market for automotive products in the Western Hemisphere in the 1990s. Mexican sales grew 17 percent in 1991 alone.

• NAFTA immediately slashes in half Mexican tariffs on autos and light trucks; the remaining tariff of 10 percent is phased out over five years for light trucks and 10 years for cars. Tariffs on 75 percent of auto parts (now at 10-20 percent) are eliminated within five years.

• Mexico will eliminate trade distorting restrictions for NAFTA investors. This will allow them to import more U.S. parts and vehicles. Current Mexican restrictions are so severe that virtually all vehicles sold in Mexico are produced locally with mostly Mexican parts.

• U.S. exports of medium and heavy trucks can enter Mexico freely after five years (a large quota applies during the first five years). NAFTA's land transportation market-opening provisions will greatly increase demand in Mexico for U.S. trucks for use in both countries.

More Competitive North American Production

• A more efficient, integrated, and internationally competitive North American market free of trade distorting restrictions will result in greater export opportunities in Mexico and globally for U.S. parts and vehicle producers.

• U.S. manufacturers in Mexico will use more U.S.-made parts as Mexican local content restrictions are eliminated and will export high value-added U.S.-built vehicles to Mexico as trade balancing requirements are dropped.

• A strict rule of origin encourages North American production and generates U.S. jobs. To obtain NAFTA benefits, 62.5 percent of the net cost of automobiles and light trucks (60 percent for other automotive products) must be directly traceable to North American inputs.

Environmental and Safety Benefits

• NAFTA establishes a North American Automotive Standards Council which is directed to work toward the strengthening and harmonization of safety and emissions standards. Nothing in NAFTA would require the lowering of U.S. fuel efficiency or safety standards.

Energy

Economic growth, stimulated by NAFTA, will increase Mexico's demand for energy and for the development of its energy sector's infrastructure. NAFTA positions U.S. energy equipment and service providers to take advantage of this growing market. The Agreement incorporates Canadian-specific provisions from the CFTA.

Increased Opportunities for Energy Trade

• It is estimated that Mexico will have to invest $20-30 billion by the year 2000 to upgrade its energy capabilities. NAFTA's government procurement provisions provide significant opportunities for U.S. companies to sell to state-owned PEMEX (national oil company) and CFE (national electricity commission), under open and competitive bidding.

• NAFTA provides for performance incentives in services contracts such as drilling activities.

• NAFTA will permit U.S. firms to negotiate directly with Mexican buyers of natural gas and electricity and to conclude contracts with the buyers together with PEMEX and CFE.

New Opportunities for Electricity Investment

• Mexico will allow the private ownership and operation of electric generating plants for self generation, co-generation, and independent power production. Greater investment and preferential tariffs will increase Mexican demand for U.S.-built power generation equipment.

Sweeping Reforms in Petrochemicals

• NAFTA immediately lifts Mexican investment restrictions on 14 of 19 basic petrochemicals previously reserved to Mexican state control, and on 66 secondary petrochemicals previously subject to foreign equity restrictions.

• Mexican import and export licenses will be eliminated on all petrochemicals except for the five remaining "basic" petrochemicals.

Benefits for the Environment

• Improved conditions for electricity trade across the border will enhance system efficiency and provide the environmental benefits of cleaner fuel use.

Agriculture

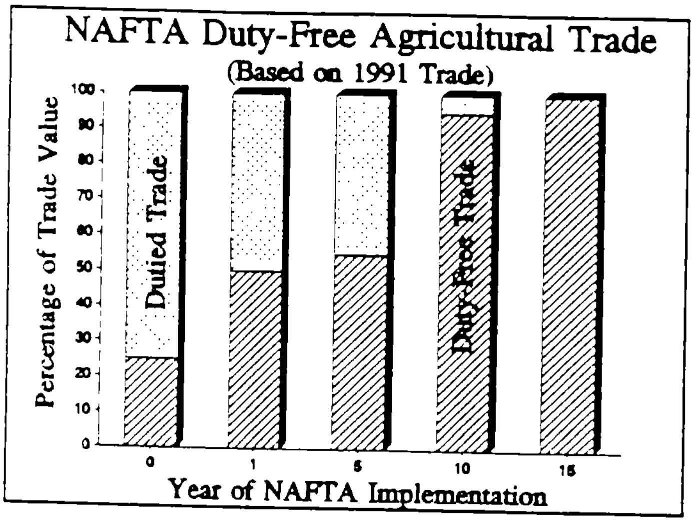
Canada and Mexico already rank as the second and third largest U.S. agricultural markets. Since 1986, Mexico has been our fastest growing market, with exports nearly tripling to $3 billion. The United States ran an agricultural trade surplus with Mexico in 1991 of almost $0.5 billion.

NAFTA Will Increase Agricultural Exports

• The U.S. Department of Agriculture estimates that once the Agreement is fully implemented, agricultural exports will be $1.5 to $2 billion higher than without NAFTA.

• Immediately after NAFTA goes into effect, one-half of U.S. farm exports will enter Mexico duty-free. By the tenth year, about 95 percent of agricultural trade will be duty-free.

• Upon entry into force, all nontariff barriers between the



United States and Mexico will be eliminated, generally by converting them to tariff-rate quotas. The largest barrier to U.S. farm exports to Mexico has been a restrictive import licensing system, particularly for such competitive U.S. agricultural products as corn, wheat, barley, malt, dairy, poultry, and tobacco products.

Key Sectors Will Benefit

- NAFTA will be of particular benefit for U.S. exports of grains and oilseeds. U.S. exports to Mexico were $1.3 billion in 1991, close to half of all U.S. agricultural sales to Mexico. The NAFTA will eliminate import licensing requirements and allow unrestricted access for these products within 10 to 15 years.
- U.S. exports of horticultural products should also gain. Exports have more than quadrupled since 1986, from $47 million to $209 million in 1991. Recent experience saw U.S. exports of pears and apples more than double in the years immediately after Mexico lifted licensing requirements for these products.
- Mexico is one of the fastest growing export markets for U.S. meat. U.S. poultry exports increased rapidly from $16 million in 1987 to over $110 million in 1991. Removal of import licensing requirements will further increase U.S. meat exports to Mexico.

Special Agricultural Safeguard

- To guard against seasonal import surges, the United States will use a special agricultural safeguard, in the form of a tariff-rate quota, on imports from Mexico of onions, tomatoes, eggplant, peppers, squash, and watermelons. At the end of the 10-year transition period, this mechanism will be eliminated.

Land Transportation

NAFTA opens Mexico's market for international truck, bus and rail transport. Provisions in this chapter eliminate the requirement to hand off cargo to a Mexican vehicle upon entry into Mexico, saving U.S. industry time and money.

New Market Opened for Transportation Companies

- For the first time, U.S. truck and bus companies will have the right to use their own drivers and equipment for cross-border cargo and passenger service with Mexico.
- NAFTA also creates opportunities for U.S. firms to invest in trucking and bus service, warehousing, intermodal terminals, and landside port activities in Mexico.
- NAFTA locks in U.S. railroad companies' ability to market rail service directly to customers in Mexico and to operate their trains on Mexican tracks.

Benefits for U.S. Exporters and Importers

- U.S. exporters and importers benefit from the guaranteed open and competitive land transport market. The ability to contract with U.S. truck and railroad companies to carry goods across the border to their final destination will improve efficiency and reliability of service and decrease costs.

Safety and Environmental Improvements

- NAFTA maintains high U.S. safety standards. All carriers operating in the United States must meet stringent

Health and Safety of Foods

NAFTA Provisions Ensure Continued Protection for U.S. Consumers

The NAFTA will not change U.S. law that prohibits the importation of fruits or vegetables with non-U.S. approved pesticides or higher tolerances for pesticide residue than are allowed in the United States—all shipments are subject to testing at the border. The United States retains its right to exclude goods that do not meet domestic standards.

NAFTA Allows States to Set Standards

NAFTA permits states to establish health and safety standards more stringent than those at the national level.

NAFTA Allows Actions to Respond to Insect/Disease Infestations in Farm Goods

The United States retains the ability to restrict imports of agricultural items grown in diseased regions of Mexico. For example, currently Sonora is the only state in Mexico that can export oranges to the United States, because of the presence of the fruit fly in other orange-producing states.

NAFTA Encourages Higher Health and Safety Standards

NAFTA does not require the United States to lower its sanitary or phytosanitary standards. On the contrary, NAFTA encourages all three countries to adopt high standards in North America—those providing the most protection to consumers and agricultural producers.

U.S. standards. NAFTA encourages Mexico to bring its safety and technical standards to the highest levels in North America, regardless of whether they are at the state or federal level.

• Ending the necessity of "handing off" trailers at the border and having them return home empty will decrease congestion at the border and improve the border environment. In addition, Mexico will benefit from less-polluting vehicles as it brings its trucking fleet up to U.S. anti-pollution standards in order to gain access to the U.S. market.

Financial Services

Mexican reforms in the insurance, banking, and securities sectors offer unprecedented access to a previously closed market. The demand for insurance is expected to grow rapidly to meet the needs of new foreign investors and traders, as well as under-insured Mexicans. Mexican economic growth will stimulate demand for banking and other financial services.

Mexican Liberalization Offers Great Opportunities for U.S. Companies

• The NAFTA will eliminate, over a transition period, equity and market share restrictions in Mexico on U.S. financial services providers, including banks and securities firms, insurance companies, leasing and factoring companies, and non-bank lenders.

• For the first time in 50 years, U.S. financial service providers will be able to operate wholly owned subsidiaries in Mexico, and receive the same treatment as Mexican-owned firms.

Cross-Border Provisions Enhance Competitiveness

• U.S. firms may provide banking, securities and some insurance services in Mexico without having to relocate their operations and employees to Mexico.

• U.S. insurance companies will be able to provide certain insurance products that are international by nature, including reinsurance and cargo insurance, on a cross-border basis.

Economic and Commercial Benefits

• The ability of U.S. banks to diversify and expand their operations will strengthen their financial position.

• The increased ability of U.S. firms to service their American clients operating in Mexico will facilitate U.S. exports. In addition, by contributing to the strengthening of the Mexican economy, U.S. banks will help boost demand for U.S. goods.

• Exporters, importers and U.S. investors in Mexico will enjoy the benefits of "one-stop shopping" by being able to use the same financial service provider for both international and domestic operations.

Telecommunications

Mexico's liberalization of its $6 billion telecommunications service and equipment market will benefit the highly competitive U.S. telecommunications industry as well as facilitate all commercial transactions. While telecommunications companies will have access to new sales and service opportunities, all companies will benefit by the increased efficiencies in the market and by access to state-of-the-art communications facilities while doing business in and with Mexico.

Greater Efficiency in the Telecommunications Sector

• The NAFTA guarantees the availability of private leased lines on the public telephone network, which are essential for the use of intracorporate communications networks and enhanced services.

• Firms can purchase and lease their own telecommunications equipment—such as phones, faxes, and computers—and freely attach them to Mexico's public phone system.

• Firms can also interconnect their private network with the public phone system or with other networks.

New Opportunities for U.S. Companies Providing Enhanced Services

• U.S. service providers of voice and electronic mail systems, on-line databases, and computer processing applications, in particular, will benefit from improved access to the Mexican market.

Regulatory Barriers to Trade Removed

• Enhanced or value-added service providers benefit from limitations on certain burdensome regulations that impede trade.

• Licensing, permits, registration, or notification procedures required must be transparent and applied expeditiously and equally to all NAFTA parties. Information collected to fulfill a licensing requirement must be limited to documentation of the provider's financial solvency and the conformity of equipment with applicable standards.

• Standards measures affecting attachment of telecommunication equipment to the public network must be transparent, limited to what is necessary to prevent harm to the network or user, and applied equally to all equipment from all NAFTA countries.

Textiles and Apparel

The textiles and apparel market in Mexico is already $6.4 billion. U.S. textiles and apparel producers have already benefited from the expanding Mexican market—U.S. exports have increased 90 percent from 1988-91—and first-quarter exports this year show a 50 percent increase over the first quarter of 1991. Economic development in Mexico as a result of the NAFTA will increase demand for U.S. products.

Increased Exports for a More Competitive U.S. Industry

• Elimination of Mexican tariffs (20 percent and 15 percent on apparel and textiles, respectively) will make U.S. products even more competitive in Mexico.

• Barriers on about 20 percent of U.S. textiles and apparel exports to Mexico will be eliminated immediately. This covers about $260 million of exports, and such key products as denim, underwear, thread, and many household furnishings.

• Barriers on another $750 million of U.S. textile exports, including yarns, most household furnishings, most fabrics and certain other apparel, will be eliminated in six years.

Benefits Only for NAFTA Workers, Producers, and Consumers

• Tight Rule of Origin: In order to qualify as a NAFTA good, apparel must be produced from North American fabric, that is, fabric that has been woven from North American yarn that has been spun in North America. This "yarn forward" rule for most textiles and apparel restricts the benefit of the NAFTA to North American workers and producers.

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CRS Issue Brief

North American Free Trade Agreement

Updated March 19, 1993

by
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CRS

Congressional Research Service • The Library of Congress

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North American Free Trade Agreement: Bibliography-in-Brief

Robert Howe
Senior Bibliographer, Economics
Library Services Division

This bibliography provides access to selected literature published during 1992 on the proposed North American Free Trade Agreement. The focus is on environmental and labor issues, agriculture, and industry studies. Congressional staff may request copies of the items listed in this bibliography by calling 7-7132. Other users should contact their local public or university library.

Selected CRS Products

Agriculture in the North American Free Trade Agreement: a preliminary assessment, by Charles E. Hanrahan. Sept. 21, 1992. 6 p. 92-716 S

Financial services in Mexico and the North American Free Trade Agreement, by Douglas Karmin. Aug. 21, 1992. 10 p. 92-663 E

NAFTA and jobs: an overview, by Alfred Reifman. Dec. 21, 1992. 11 p. 92-955 S

North American Free Trade Agreement: issue brief, by Lenore Sek. Updated regularly. IB90140

North American Free Trade Agreement: concerns about health and food safety problems with Mexico, by Donna U. Vogt. Nov. 24, 1992. 17 p.92-834 SPR

Rules of origin and the North American Trade Agreement, by Douglas Karmin. Revised Aug. 21, 1992. 14 p. 92-584 E

Trade negotiating authority: the 1991 debate on extension, by Lenore Sek. July 27, 1992. 17 p. 92-592 E

Worker adjustment assistance and the North American Free Trade Agreement: issues and options, by James R. Storey. Nov. 12, 1992. 6 p. 92-804 EPW

Published literature

Berry, Steven. Grilli, Vittorio. Lopez-de-Silanes, Florencio.
The automobile industry and the Mexico-U.S. free trade agreement. Cambridge, Mass., National Bureau of Economic Research, 1992. 45, 28 p. (Working paper no. 4152) LRS92-8642

"As there are currently large restrictions on imports into Mexico, one important outcome of a free trade agreement would be the opening of the Mexican market to U.S. producers." Concludes "that the Mexican industry will continue to prosper, increasing output but also relying heavily on production from U.S. owned plants and on inputs imported from the U.S. and Canada."

Driscoll, Anne M.
Key provisions of the North American Free Trade Agreement. Business America, v. 113, Oct. 19, 1992: 3-11. LRS92-10374

Summarizes major provisions of NAFTA, including market access, rules of origin, foreign investments, services, procurement, and dispute resolution. Also describes sector-specific provisions including automobiles, energy, agriculture, financial services, and textiles.

Fisher, Robert C.
NAFTA: a U.S. perspective. SAIS review, v. 12, winter-spring 1992: 43-55. LRS92-2179

Summarizes some of the issues put forth by U.S. proponents and critics of a North American Free Trade Agreement. Claims that under free trade the U.S. should benefit from increased output and employment, but that the total economic impact will be relatively small.

Friedman, Sheldon.
NAFTA as social dumping. Challenge, v. 35, Sept.-Oct. 1992: 27-32. LRS92-9374

Claims that the proposed Agreement will only "accelerate the maquilazation of Mexico." Says that NAFTA "ignores the interests of workers, farmers, and environmentalists on both side of the border."

Hansen, Niles.
Regional employment implications of a free trade agreement. Labor law journal, v. 43, Aug. 1992: 518-522. LRS92-7993

Claims that the North American Free Trade Agreement would enhance overall employment levels in the U.S. "However, certain regionally concentrated segments of the labor force would be adversely affected . . . . Public policy should concentrate on assisting those workers who would be adversely affected in the national interest."

Koechlin, Timothy. Larudee, Mehrene.
The high cost of NAFTA. Challenge, v. 35, Sept.-Oct. 1992: 19-26. LRS92-9373

"NAFTA's net effect by the year 2000 will be a diversion of investment from the United States to Mexico of as much as $53 billion, a decline in U.S. employment of up to half a million jobs, and a cumulative loss in U.S. wage income of as much as $320 billion."

Leamer, Edward E.
Wage effects of a U.S.-Mexican Free Trade Agreement. Cambridge, Mass., National Bureau of Economic Research, 1992. 50, 38 p. (Working paper no. 3991) LRS92-2134

Claims that a trade agreement could "undo current or future U.S. protection designed to maintain wages of low-skilled workers. With or without a free trade agreement, the United States faces a substantial problem with the continuing economic deterioration of the lowest skilled workers."

Lustig, Nora.
NAFTA: a Mexican perspective. SAIS review, v. 12, winter-spring 1992: 57-67.
LRS92-2180

Discusses Mexico's recent economic reforms which have already brought about freer trade with the U.S. Says that a formal trade agreement would "guarantee Mexican access to the U.S. market, thereby lending support to Mexico's open economic strategy and encouraging investor participation." Describes those groups in both Mexico and the U.S. which support or reject a trade agreement.

Mohn, Ingrid A.
NAFTA and jobs. Business America, v. 113, Oct. 19, 1992: 17-21. LRS92-10375

Refers to several studies that project U.S. employment gains from a free trade pact with Mexico. Describes performance of U.S. manufacturers of textiles, automobiles, and steel in today's highly protected Mexican market.

National Wildlife Federation. Pollution Probe (Canada)
Minimal environmental safeguards to be included in the North American Free Trade Agreement (NAFTA "green language"). Washington, The Federation, 1992. 11 p.
LRS92-3892

The North American Free Trade Agreement: spurring prosperity and stability in the Americas. Edited by Michael G. Wilson and Wesley R. Smith. Washington, Heritage Foundation, 1992. 122 p. (Heritage lectures, 400) LRS92-9309

Partial contents.--A North American free trade area: opportunities for the United States, by Phil N. Truluck, Jim Kolbe, and Abelardo L. Valdez.--Job growth in America under a NAFTA, by Robert Bostick, Don Newquist, and Alan Reynolds.--Economic growth and the environment, by Sergio Reyes Lujan, Jorge B. Haynes, and Daniel C. Esty.

Prestowitz, Clyde.
Why NAFTA should be redone. International economy, v. 6, Nov.-Dec. 1992: 40, 42-43.
LRS92-10652

Recommends that the U.S. press for opening up the Mexican energy sector to foreign exploration. "Second, strong environmental enforcement and worker safety and health regulations should be part of the NAFTA . . . . Finally, some of the rules-of-origin requirements must be tightened, and several special exemptions eliminated."

Review of U.S.-Mexico environmental issues. [Washington, U.S. Trade Representative] 1992. 231 p. LRS92-3979

In a study conducted by an interagency task force, reviews the possible environmental effects of a free trade agreement. Includes analysis on air and water quality, hazardous wastes, chemical emergencies, and endangered species.

Ros, Jaime.
Free trade area or common capital market? Notes on Mexico-US economic integration and current NAFTA negotiations. Journal of interAmerican studies and world affairs, v. 34, summer 1992: 53-91. LRS92-9482

Describes a process of "silent integration" which has tied the Mexican economy closer to the U.S. over the past 25 years. Says the latest free trade talks were likely "motivated by the quest for a higher degree of capital mobility rather than by the pursuit of trade gains."

Santos, Richard.
North American Free Trade Agreement: implications for Mexican-American workers. Labor law journal, v. 43, Aug. 1992: 523-529. LRS92-7994

"Low earnings, a high incidence of poverty among employed workers, inadequate education, and the lack of private health insurance coverage are testimonial to the vulnerability of Mexican-American workers to the consequences of a free trade agreement."

Schlefer, Jonathan.
What price economic growth? Atlantic monthly, v. 270, Dec. 1992: 113-118. LRS92-10403

Claims that the North American Free Trade Agreement may stimulate trade but would also allow "investors to desert countries with better wages, stronger environmental and workplace regulations, and higher taxes."

Smith, Wesley R.
Protecting the environment in North America with free trade. Washington, Heritage Foundation, 1992. 12 p. (Backgrounder no. 889) LRS92-2074

Rejects the notion that free trade will generate greater pollution as U.S. industries move to Mexico to take advantage of less strict environmental laws. Claims that "a NAFTA would improve Mexico's chances of protecting its environment by increasing the cooperation and interaction between Mexican and American companies."

U.S.-Mexico free trade agreement. Congressional digest, v. 71, Feb. 1992: whole issue (33-64 p.) LRS92-546

Partial contents.--Evolution of trade legislation.--U.S.-Mexico relations.--Recent action in the Congress.--Pros & cons: "Should Congress extend fast track negotiating authority?"

U.S. Dept. of Agriculture.
Agriculture in a North American Free Trade Agreement: analysis of liberalizing trade between the United States and Mexico. Washington, U.S. Dept. of Agriculture, 1992. 167 p. LRS92-7342

U.S. General Accounting Office.
North American Free Trade Agreement: U.S.-Mexican trade and investment data; report to the Honorable Richard A. Gephardt, Majority Leader, and to the Honorable Sander Levin, House of Representatives. Sept. 25, 1992. Washington, G.A.O., 1992. 119 p. LRS92-9892

"GAO/GGD-92-131, B-250299"

"Provides information covering (1) Mexico's trade flows with the United States; (2) foreign direct investment between Mexico and the United States; (3) maquiladora operations in Mexico; and (4) the top 50 companies, importers, exporters, and maquiladoras operating in Mexico in 1990."

US-Mexico trade: pulling together or pulling apart? Washington, Office of Technology Assessment, for sale by the Supt. of Docs., G.P.O., 1992. 225 p. LRS92-9194

"OTA's analysis suggests that market forces alone are not likely to produce significant social and economic rewards following a free trade agreement. To yield substantial rewards, trade liberalization will have to be accompanied by significant changes in other aspects of U.S. and Mexican policies."

Weintraub, Sidney.
US-Mexico free trade: implications for the United States. Journal of interAmerican studies and world affairs, v. 34, summer 1992: 29-52. LRS92-9751

"What follows is a distillation of the arguments of those who favor the FTA and those who oppose it. Most attention will be paid to the economic and social themes because they dominated the debate, but foreign policy considerations will also be covered."

ISSUE DEFINITION

The United States, Mexico, and Canada began formal negotiations on a North American free trade agreement in June 1991 and signed an agreement on Dec. 17, 1992. The agreement covers a range of trade issues, including tariffs, trade in services, investment, sectoral issues, and rules to address trade complaints. President Clinton has said that before introducing legislation to implement the basic agreement, he wants to conclude supplemental agreements on labor and the environment; these negotiations began March 17. A legislative package might be submitted to Congress later this year. Major issues for the Congress are how the Administration will address labor and environmental issues and whether the final agreements are in the U.S. national interest.

BACKGROUND AND ANALYSIS

Trade between the United States and Canada and between the United States and Mexico is important for each of the trading partners. (Trade between Canada and Mexico is relatively small.) U.S.-Canada trade is already facilitated by a free trade agreement. U.S.-Mexico trade, although tariff-free in some respects, has some major impediments and is the most controversial aspect of a North American trade agreement.

Volume and Composition of U.S.-Canada Trade

Canada is the most important trading partner of the United States. In 1992, U.S. trade turnover (exports plus imports) with Canada was $189 billion, or 19% of total U.S. trade turnover. Canada was the most important U.S. export market ($90.2 billion in U.S. exports, or 20% of U.S. total) and the most important source of U.S. imports ($98.5 billion in U.S. imports, or 19% of U.S. total).

Canada's most important trading partner is the United States. In 1991, the United States accounted for 76% of Canada's exports and 62% of its imports.

Leading U.S. export and import commodities for 1992 are shown in **table 1**. Major items were motor vehicles and parts (imports and exports), data processing and electrical machinery (exports), and natural resources (imports). Trade between the United States and Canada is mostly manufactured goods, particularly machinery and transport equipment.

On Jan. 1, 1989, a free trade agreement between the United States and Canada went into effect. This agreement established a 10-year schedule for the elimination of tariffs (two-thirds of U.S.-Canada trade was already tariff-free). It also liberalized nontariff measures in such areas as rules of origin, services, government procurement, investment, energy, and agriculture. It eased border crossing procedures and established a binational panel to rule on antidumping and countervailing duty disputes. It did not cover all trade-related issues of concern to U.S. interests, notably leaving out rules covering subsidies, cultural industries, and railway assistance.

North American Free Trade Agreement

SUMMARY

On Dec. 17, 1992, the leaders of the United States, Canada, and Mexico signed a North American free trade agreement (NAFTA). The talks had started in June 1991. The agreement covers market access, trade rules, services, investment, intellectual property, and trade remedies.

Some U.S. businesses would benefit from more open trade and investment opportunities, principally by taking advantage of relatively lower Mexican wages. Economic models generally show that a free trade agreement would lead to an overall gain in U.S. income, although the gain is projected to be relatively small and some sectors would be hurt. Most of these models do not, however, account for flows in direct investment between the United States and Mexico, which is an important unknown factor.

U.S. labor groups have voiced strong opposition to a North American free trade agreement. They claim that low-cost imports from Mexico will lead to lower wages and severe job loss in the United States. Others believe that differences in labor standards and safety and environmental rules and enforcement will give unfair advantages to Mexican producers. Some also claim that increased industrialization along the border will cause further environmental degradation.

Mexico's officials took the lead in pushing for a free-trade agreement. They hoped to attract increased foreign capital and to gain greater access to the U.S. market for Mexican products. Canadian officials wanted to guard gains under their earlier bilateral free trade agreement with the United States.

President Clinton has announced that he sees no need to renegotiate the agreement, but has said that before submitting legislation he wants to negotiate supplemental agreements on labor, the environment, and surges in imports. Negotiations on these supplemental agreements began on March 17. President Clinton also has said that he plans to pursue unilateral measures, including transition assistance for workers and communities, as part of a NAFTA package. Given the importance that the President has given to domestic economic policies and his plan to conclude supplemental agreements, legislation on the NAFTA might not be proposed until well into the year.

TABLE 2. Leading U.S.-Mexico Trade Commodities in 1992
($ billion)

U.S. Exports		U.S. Imports	
Motor vehicle parts	$3.9	Crude oil	$4.4
Telecom. equip./parts	1.5	Motor vehicles	2.6
Electr. distrib. equip.	1.3	Elect. distrib. equip.	2.0
Other electr. machin.	1.2	Motor vehicle parts	2.0
Electr. switchgear app.	1.0	Television receivers	1.3
Internal comb. engines	1.0	Telecom. equip./parts .1	1.2
Meas./checkg. instrum.	0.9	Electr. switchgear app.	1.1
Aircraft & assoc. equip	0.9	Other electr. machin.	0.9
Cathode valves, tubes	0.9	Internal comb. engines	0.9
Non-crude oil	0.8	Furn. & pts; bedding	0.8

Source: Compiled by CRS from official statistics of the U.S. Department of Commerce.

North American Free Trade Agreement

In June 1990, President Salinas of Mexico and President Bush issued a joint statement in support of negotiation of a free trade agreement and 2 months later, President Salinas formally proposed negotiations. In February 1991, Canada officially joined the United States and Mexico.

The Basic Agreement

Negotiations among the three countries began formally on June 12, 1991 and concluded on Aug. 12, 1992. Leaders of the three countries signed the agreement on Dec. 17, 1992. The agreement covers a broad range of issues, including tariffs, nontariff barriers, investment, trade in services, intellectual property rights, government procurement, and rules to address unfair trade practices. The following, which summarizes major provisions, is based on a 44-page "description" of the agreement provided by the Office of the U.S. Trade Representative (see additional reading section). (The agreement itself consists of a two-volume text plus three tariff annexes and is available from the Government Printing Office.)

Market Access. The three countries would eliminate tariffs on goods meeting the North American rules of origin in various stages, ranging from immediate elimination to 15-year phaseout. They would eliminate many border restrictions such as quotas and import licenses and would end duty drawback, customs user fees, and performance-based duty waivers.

Rules of Origin. Generally, a good would be considered as originating in North America if it were completely North American or if it had non-regional materials that were transformed in North America so that the tariff classification changed. However, some exceptions would apply; for most of these, producers could calculate regional content using transaction value (price paid) or net cost (total cost less certain other costs). The agreement includes several provisions on customs procedures intended to

TABLE 1. Leading U.S.-Canada Trade Commodities in 1992
($ billion)

U.S. Exports		U.S.Imports	
Motor vehicle parts	9.2	Motor vehicles	14.5
Motor vehicles	6.3	Vehicles, trnspt./spec.	7.5
Internal comb. engines	3.2	Paper & paperboard	5.6
Cathode valves, tubes	3.2	Motor vehicle parts	5.5
Auto. data proc. machs.	3.1	Crude Oil	4.8
Printed matter	1.7	Wood, simply worked	3.5
Other electr. mach.	1.7	Natural gas	2.7
Electr. switchgear app.	1.7	Aluminum	1.8
Data pro. mach. parts	1.6	Pulp and waste paper	1.8
Vehicles, trnspt./spec.	1.6	Cathode valves, tubes	1.7

Source: Compiled by CRS from official statistics of the U.S. Department of Commerce.

Volume and Composition of U.S.-Mexico Trade

In 1992, Mexico was the third most important trading partner of the United States. U.S. trade turnover (exports plus imports) with Mexico was $76 billion, or 8% of total U.S. trade turnover. (Japan was the second most important trading partner, with $144 billion, or 15% of U.S. trade.) Mexico was the third most important export market for the United States and the third most important source of U.S. imports.

The United States is Mexico's most important trading partner. In 1991, the United States accounted for 74% of Mexico's exports and 71% of its imports.

In 1992, the United States exported $40.6 billion in goods to Mexico and imported $35.2 billion in goods. Leading commodities for 1992 are shown in **table 2**. Almost three-fourths of U.S.-Mexico trade is in manufactured products, with almost half in machinery and auto parts alone. U.S.-Mexico trade in manufactures has been closely tied to maquiladora industries, which are Mexican assembly plants mostly located along the U.S. border and owned by U.S. companies. The plants are located in Mexico because of the relatively low wages of Mexican workers and special Mexican and U.S. tariff provisions.

Since the mid-1980s, U.S.-Mexico trade, especially U.S. exports to Mexico, has been particularly strong. From 1989 to 1992, for example, U.S. exports increased by 62% and U.S. imports increased by 29%. The U.S. bilateral trade balance with Mexico shifted from a peak deficit of almost $8 billion in 1983 to a surplus of $5 billion (second highest of all countries) in 1992.

During the 1980s, Mexico's leaders undertook dramatic changes in economic policy. Mexico reduced its tariffs and liberalized import licensing requirements substantially, reduced restrictions on foreign investment, sold numerous state-owned enterprises, privatized banking, and enacted stronger patent and copyright laws. Mexico also pursued more open trade with the United States and signed framework agreements on trade and investment in 1987 and in 1989.

Land Transportation. Over 10 years, the countries would open their markets to cross-border bus and truck service and to investment in domestic bus and truck companies. Mexico would open up investment in port facilities. The countries would try to make their transportation standards compatible and after 5 years would review progress.

Telecommunications. The countries would ensure that conditions of access to public telecommunications transport networks and services were reasonable and that rates reflected economic costs. They would not have to allow a person from another NAFTA country to provide or operate a network or service and could allow monopoly service providers. Licensing procedures for value-added services would have to be public and nondiscriminatory.

Intellectual Property. The countries would clarify and expand intellectual property rights for copyrights, patents, and other intellectual property and agree to stronger enforcement measures internally and at the border.

Government Procurement. The agreement would set specific levels above which procurement by federal government departments and agencies and federal government enterprises would be open among NAFTA countries. National security procurement would be exempt. Mexico would have a phase-in period. Certain discriminatory practices would be banned. The countries would endeavor to extend the provisions to willing states and provinces.

Sanitary and Phytosanitary (S&P) Measures. Countries would maintain the right to set their own individual levels of S&P protection. They would be encouraged to use international standards, but could set higher levels of protection. Other provisions pertain to risk assessment, regional conditions, public notice, control and inspection, and technical assistance.

Technical Standards. Each country would have the right to adopt and enforce its own standards-related measures. They could use international standards or set higher individual levels of protection. Principles of nondiscrimination would apply. Other provisions pertain to public notice, conformity assessment procedures, and technical assistance.

Emergency Action (Safeguards). If the NAFTA caused a surge of imports that threatened or caused serious injury to a domestic industry, the importing country could suspend its tariff elimination, but only once and temporarily (3-4 years). NAFTA partners would be exempt from multilateral safeguard action, unless they contributed seriously to the problem.

Antidumping (AD) and Countervailing (CV) Duty Matters. A binational panel would review national AD and CV duty determinations. It would apply the importing country's laws, and its decision would be binding. Any country could request an extraordinary challenge committee to review panel decisions. Any country also could request a special committee to decide if another country was impeding the review process.

help in the administration of rules of origin. (Some sectors would have special rules of origin, see automotive goods and textiles below.)

Automotive Goods. The U.S. and Mexico would eliminate tariffs on passenger cars, light trucks, and other vehicles and parts either immediately, over 5 years, or over 10 years. To qualify for the trade benefits, passenger cars and light trucks would have to have 62.5% North American content and other vehicles and auto parts would have to contain 60% after the phasein period. Mexico would end its Auto and Auto-Transportation Decrees, which impose production and sales restrictions, after 10 years. It would begin a 10-year phaseout of its ban on imports of North American used vehicles starting 15 years after the effective date.

Textiles and Apparel. All countries would eliminate immediately or over 10 years tariffs on textiles and apparel goods that meet rules of origin. Rules of origin generally would require goods to be made of yarn produced in North America; some exceptions would apply. The U.S. quota on imports of textiles and apparel goods from Mexico would end immediately for products meeting rules of origin or gradually otherwise. Tariff rate quotas, which give preferential treatment to a certain level of imports, would be allowed for products made in North America but not meeting rules of origin. Safeguards would be allowed during the transition period.

Agriculture. The U.S. and Mexico would gradually convert nontariff barriers to tariffs and eliminate tariffs over 10- or 15-year periods. As the U.S. eliminated its quota on sugar imports from Mexico, it would adjust its third-country quotas to maintain its world quota. Other measures pertain to subsidies, support programs, and dispute resolution.

Energy. Mexico would retain closed domestic markets for goods, activities and investments in the cil, gas, refining, basic petrochemicals, nuclear and electricity sectors. The countries agreed to observe multilateral rules on licensing and fees and agreed to more open negotiation of contracts.

Investment. The principles of national treatment and most-favored-nation treatment would apply to investments by enterprises in a NAFTA country, but country-specific exceptions would be made. Performance requirements would be prohibited. Canada and Mexico could continue review of certain acquisitions. (Some sectors would have special rules, see financial services and land transportation below.)

Cross-Border Trade in Services. Countries would be prohibited from discriminating against service providers from another NAFTA country, but countries would be allowed to list exceptions to this rule so as to allow selective discrimination. Countries would be encouraged, but not required, to recognize licenses from other countries. Licensing procedures would be more open and objective.

Financial Services. The agreement would confirm certain principles: the right to establish a commercial presence, the right to purchase services across borders, nondiscrimination, and transparency (open information). By the year 2000, Mexico would eliminate almost all restrictions on banks, securities firms, and insurance companies, with limits on aggregate and individual market shares growing during the transition. Mexico also would liberalize market entry for factoring, leasing, warehousing, and bonding companies.

Potential Effects

In broad terms, a free trade area reduces or removes barriers to trade and enables a more efficient exchange between countries. This increase in efficiency, according to economic theory, leads to a better use of resources, increased trade, and an overall improvement in the economic well-being of a country. However, dislocations occur as the economy adjusts to a more open trading system. Some domestic industries are hurt by the increase in competition from imports, and as those domestic industries reduce their production or fail, workers lose their jobs.

Several economic studies have examined the possible effects of a NAFTA for the United States (see section on additional reading). Most studies predict that a NAFTA will increase U.S. output, but only slightly. A February 1991 report by the International Trade Commission (ITC) said that U.S. gains from a NAFTA would be relatively small at least for the near to medium term, because Mexico's economy is relatively small compared to the U.S. economy and U.S.-Mexico trade already has low barriers. Papers presented at a February 1992 symposium by the ITC on economy-wide models of a NAFTA generally agreed that a NAFTA would increase U.S. real gross domestic product (GDP) by only 0.5% or less.

Economic studies also show generally that a NAFTA might result in a positive but negligible net increase in U.S. employment. The 1991 ITC study said that there would be little or no effect on the levels of U.S. employment, but that there might be some shifts among occupations. A study released in February 1993 by the Institute for International Economics (IIE) estimated that net export gains under a NAFTA would generate a net gain of about 170,000 U.S. jobs by 1995: 316,000 jobs created, but 145,000 dislocated. Papers presented at the ITC symposium estimated that aggregate U.S. employment would increase by a small percent, from less than 0.1% to 2.5%.

Similar to the results for employment, studies generally predict that U.S. aggregate real wages will stay the same or grow very slightly with a NAFTA. Some studies predict more specifically that skilled workers will have wage gains, but unskilled workers will have wage losses.

The effect of a NAFTA on individual industries is expected to vary. Some might suffer serious losses to import competition, while others might realize growth. The 1991 ITC report identified horticulture, the tuna industry, and producers of inexpensive household glassware as those who would be most harmed. A joint study by U.S. (University of Maryland) and Mexican universities presented at the ITC symposium found the greatest job gains would be in agriculture, machinery, and metal products, but the greatest losses in apparel, construction, and services in general. Several other studies have examined sectoral effects; a few identify apparel as likely to be hurt, but otherwise they show no clear consensus.

Critics of studies that use economic models claim that the models are based on assumptions that are unrealistic and therefore distort the findings. For example, some opponents argue that the 1991 ITC study does not allow for a shift in direct investment from the United States to Mexico and therefore seriously underestimates potential U.S. job loss. The models' supporters respond that the assumptions are reasonable and must be made in order to reach any results whatsoever.

Other provisions. The countries would grant **temporary entry** to certain categories of business persons. No more than 5,500 business persons would be allowed to enter the U.S. from Mexico. Countries would adopt measures against **anticompetitive business practices**, especially by publicly controlled enterprises or publicly- or privately-owned monopolies.

Under **dispute settlement procedures**, countries would first try to resolve disputes through consultation. If that failed, they would try to resolve the problem in a meeting with the Trade Commission, which would be comprised of each country's top trade official. If those two steps were unsuccessful, a country then could request a panel decision. The agreement sets out rules for panel structure and timing of decisions.

The agreement includes rules on **accessible information** on laws, regulations, and other measures affecting trade. It would allow certain **exceptions** to the obligations of the agreement, such as for the protection of animal or plant life, national security, or balance of payments. An **accession** clause would allow other countries to become parties to the agreement, subject to approval of the NAFTA countries. The **effective date** would be Jan. 1, 1994.

Private Sector Reports

On Sept. 18, 1992, President Bush formally notified Congress of his intent to enter into (sign) the free trade agreement with Canada and Mexico (see later section on notification). The President's notification was accompanied by reports by private sector advisory groups. These groups were required by law to submit reports on the agreement no later than the President's notification.

The most senior level advisory group is the Advisory Committee for Trade Policy and Negotiations (ACTPN), a 45-member body representing government, labor, industry, agriculture, small business, service industries, retailers, consumer interests and the general public. The ACTPN report supported the NAFTA and recommended that it be signed and implemented. The report found that most objectives had been met by the agreement and said that the agreement would spur economic growth and job creation in the three countries. Nonetheless, the report expressed disappointment with some provisions (for example, the failure to further liberalize agricultural trade with Canada and Canada's insistence on exemption of cultural industries) and indicated strong dissatisfaction with the energy section. The two labor representatives on the Advisory Committee disagreed with the majority report, stating that protections for workers and the environment were not adequate, and urged Congress to reject the agreement.

In addition to the ACTPN report, the President's notification was accompanied by reports by seven policy advisory committees (agriculture, investment, industry, intergovernmental, labor, services, and defense). Six of the seven committees supported the NAFTA; the labor committee opposed it. Also submitted were reports by 30 technical and sectoral advisory groups (10 agriculture groups, 17 industry groups, and 1 group each on customs, standards, and intellectual property rights).

Supplemental Agreement on the Environment
(by Mary Tiemann, Environment and Natural Resources Div., CRS)

A key environmental issue is that lax enforcement of environmental laws in Mexico could provide an added incentive for U.S. industries to relocate, thus increasing job losses here and making U.S. products less competitive. A second issue involves identifying ways to finance cleanup of the border area.

A North American Commission on the Environment (NACE) to oversee environmental aspects of the NAFTA is expected to be part of any side agreement. Considerable disagreement exists among various interests on what the proper role of such a commission should be.

In testimony before the House Ways and Means trade subcommittee (March 11), USTR Mickey Kantor stated that a side agreement would not add measures that would interfere with Mexico's domestic law enforcement, although the Administration would discuss with Mexico ways to strengthen environmental law enforcement. Ambassador Kantor stated that the goals of a side agreement would also include border cleanup and the creation of a North American Commission on Environment. As envisioned, the Commission would have expert staff and act as a forum to receive and review environmental complaints, to request information from national environmental enforcement agencies, and to issue reports on each country's enforcement of environmental laws and compliance with NAFTA environmental provisions.

Some in Congress and environmental and consumer groups advocate the use of trade sanctions to redress lax enforcement of environmental laws where trade injuries result. Others including Mexican and Canadian officials, believe they should be avoided. President Salinas has stated strong opposition to a supranational entity with power to enforce domestic environmental law.

Several side agreement proposals that would establish a NACE have emerged in the 103rd Congress (*e.g.*, H.Con.Res. 46 and H.Con.Res. 63) and among environmental groups; however, the Clinton Administration has not yet issued a specific proposal. (For more information on NAFTA and environmental issues, see CRS Issue Brief 93049.)

Supplemental Agreement on Labor
(by Mary Jane Bolle, Economics Div., CRS)

Some members of organized labor have called for renegotiation of the agreement itself. Barring that, they argue for the following provisions in a supplemental agreement: They argue that as a condition of the agreement, the United States should require Mexico to adopt minimum wage and labor standards, and agree to open its workplaces to U.S. inspection. They also argue that the agreement needs to be phased in more gradually than the current requirements permit -- perhaps over a period of 20 years, to soften the impact on the American workforce.

USTR Mickey Kantor, in testimony before the House Ways and Means trade subcommittee (March 11), indicated that President Clinton supports the negotiation of a supplemental agreement requiring each country's enforcement of its own labor laws and standards. Kantor indicated that the supplemental agreements would not lower

In addition to income and employment effects, another issue is the effect of a NAFTA on the environment. Environmental groups have said that a free-trade agreement could lead to further deterioration of environmental resources along the border region, which has occurred already to some extent because of the maquiladoras. Some economic studies, however, find that as income rises, pollution falls, and they suggest that a trade agreement that increases incomes will promote a cleaner environment. (For information on the environment and NAFTA, see CRS Issue Brief 92006.)

Mexico's officials took the lead in pushing for a free trade agreement with the United States. They believed that a NAFTA could draw U.S. and other foreign investment into Mexico, and in fact this is already happening due to Mexico's economic growth and the NAFTA. A free trade agreement also would increase access for Mexican goods to the U.S. market and encourage Mexican industries to become more competitive. According to economic studies, a NAFTA would have a significant, positive effect on Mexico's economy and employment.

Canada trades relatively little with Mexico and already has a free trade agreement with the United States. The principal reason that Canada chose to participate in the talks was to ensure that it does not lose any benefits from the existing free trade agreement. Canadian business also sees possible advantages from access to the sizeable Mexican market. Some Canadians are concerned, however, that imports from Mexico, especially autos and textiles, might hurt Canadian industries and take away jobs. Studies generally predict that Canada will benefit, but to a negligible degree.

The Clinton Administration and the NAFTA

In a speech on Oct. 4, 1992, then-candidate Clinton stated that he supported the NAFTA and did not see a need to renegotiate the agreement. He said, however, that before presenting the agreement to Congress he wanted to negotiate supplemental agreements on the environment and on labor (below) with Mexico and Canada. Mr. Clinton also said that he would ask Congress for the authority to deal with unexpected surges in imports that might endanger whole sectors of the economy.

In addition to supplemental agreements, then-candidate Clinton proposed five unilateral measures as part of the NAFTA package: (1) assistance to disadvantaged workers and communities to include training, health care benefits and income supports; (2) protection of the environment through cleanup and investment; (3) assistance to farmers who might be hurt; (4) assurance that citizens have the right to challenge the environmental practices in the other two countries; and (5) supervision of entry by foreign workers to ensure against strike breakers and unsafe truck drivers.

Negotiations on supplemental agreements began on March 17. There is no deadline for the talks, but U.S. Trade Representative (USTR) Mickey Kantor has stated that he expects to reach agreements by mid- to late-summer. The talks probably would have to finish by then in order to meet the Jan. 1, 1994 effective date, which President Clinton has pledged to do. Based on statements by Members during hearings on the NAFTA, progress in the supplemental agreements will be critical if the basic agreement is to be approved by Congress.

The Basic Agreement

Unless Congress decides otherwise, fast-track procedures will apply to legislation to implement the basic NAFTA agreement (see procedures below). These procedures were granted under the 1988 Trade Act (P.L. 100-418). The Act granted fast-track procedures if the President signed a trade agreement before June 1993 as long as certain conditions were met (which was the case). Since President Bush signed the agreement in December 1992, and gave Congress the required 90-day prenotification, fast-track procedures will apply to the legislation, regardless when the legislation is introduced. There is no statutory deadline for submission of implementing legislation.

Since fast-track procedures allow no amendment, formulation of the bill before submission is crucial. (In the case of the U.S.-Canada free trade agreement, Congress held hearings and markups on "mock" legislation.) The legislation will make changes to domestic law that are necessary to implement the trade agreement: for example, the bill would change the U.S. tariff schedule and might contain amendments to U.S. patent law to implement the intellectual property rights chapter. The bill also might include related provisions such as worker adjustment assistance.

The fast-track procedures (19 USC 2191) require a final up-or-down vote on the legislation within 90 days of session (assuming that the bill is a revenue measure, or 60 days of session otherwise) from the date the bill is introduced. The bill is submitted by the President, introduced by request in the House and Senate, and referred in each chamber to the appropriate committees of jurisdiction.

Assuming that the measure is an implementing revenue bill, it must originate in the House. House committees will have 45 days of session after the bill is introduced to report the bill or be automatically discharged. A House floor vote will be taken on or before the close of the 15th day of session after the bill was reported or discharged from the committees of jurisdiction. No amendments will be in order in either the House or the Senate.

After the bill is received from the House, Senate committees will have an additional 15 days of session to report the bill or be automatically discharged. A Senate floor vote will be taken on or before the 15th day of session after the bill was reported or discharged from the committees.

The Congress may take action to modify or terminate this fast-track process. For example, either chamber may change the procedures as it may change any of its rules. Also, the 1988 Trade Act outlined steps to withdraw the fast-track procedures. Congressional action on changes to the fast-track process could occur at any time up to the final decision on implementation. (For further information on fast-track and the NAFTA, see CRS Report 93-116 GOV.)

As part of its consideration of the NAFTA, the 103rd Congress might contemplate other questions: What measures might be considered to help workers and industries that might be hurt under an agreement? How will border environmental programs be funded? What should be the relationship between a North American trading bloc and the other countries of the Americas? What trade issues are not treated in the agreement? Should other free-trade areas be considered? What assessments of the agreement should be required? If an agreement is not approved by the Congress, what labor standards in the United States, as some had feared. Nor, however, would the agreements be protectionist in nature, he emphasized.

Kantor echoed an earlier statement of candidate Clinton when he envisioned a *commission* as a tool for enforcing compliance with labor and environmental laws in each country. This commission, with an "independent expert" staff, would provide forums for discussing, analyzing, and accepting petitions regarding labor issues on the North American continent. Among other things, it could receive complaints from citizens and private organizations and review and report on the enforcement activities (or lack thereof) of relevant government agencies. In summary, Kantor indicated, "our goal for the commission is the strongest possible improvement in . . . workers' standards throughout North America."

House Majority Leader Richard A. Gephardt has indicated that his support for NAFTA will be conditioned upon enactment of supplemental agreements that would fine-tune elements of the treaty. Representative Gephardt has also indicated that as part of legislation implementing NAFTA, he would support a number of provisions which would, in part: improve U.S. dislocated worker services and Mexican labor standards, strengthen environmental enforcement, and provide for infrastructure development along the U.S.-Mexican border.

An area of specific focus for Rep. Gephardt is U.S. job loss. To ease anticipated U.S. job loss from NAFTA, he has suggested a border tax to fund adjustment programs for dislocated U.S. workers. Opponents argue that a cross-border transaction tax or fee strikes at the foundation of NAFTA as a free trading region without barriers.

USTR Kantor also addressed the issue of job loss. He indicated that Secretary of Labor Reich is taking the lead in fashioning a comprehensive program to deal with those who lose their jobs, whether the cause is NAFTA, defense cutbacks, or corporate downsizing.

Given the importance that the President has put on domestic economic issues and his intention to negotiate supplemental agreements with Mexico and Canada, the new Administration might not have a legislative package ready until well into the year. Since there is no statutory deadline for submission of legislation, the date of submission probably will be decided jointly by political leadership in the executive and legislative branches.

Legislative Considerations

The Congress has distinct roles in the negotiation of trade agreements: before or early in negotiations, the Congress decides whether to grant the President authority to negotiate with a commitment of "fast-track" legislative consideration (no amendment, deadlines for votes); during negotiations and before an agreement is signed, the President must consult with the Congress on provisions of an agreement; and after the agreement is reached, the Congress is actively involved in the formulation of implementing legislation and in the decision on whether or not to approve that legislation.

12/17/92 --- Leaders of the United States, Mexico, and Canada signed the North American free trade agreement in their respective capitals.

09/18/92 --- President Bush announced to Congress his intent to sign the trade agreement. Private sector advisory reports were released.

08/12/92 --- Leaders of the three countries announced the conclusion of negotiations for an agreement.

06/12/91 --- Formal negotiations for a North American free trade agreement began.

02/05/91 --- Canada officially joined the free trade negotiations with the United States and Mexico.

06/11/90 --- President Bush and President Salinas of Mexico issued a joint statement in support of negotiation of a bilateral free trade agreement.

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NAFTA: Making it better. Economic Strategy Institute. Dec. 16, 1992. 27 p.

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agreement should be required? If an agreement is not approved by the Congress, what will be the implications and what other options exist?

The Supplemental Agreements

It is uncertain whether the supplemental agreements will require legislative action or not. At least three outcomes are possible. First, the supplemental agreements might require no change in law and thus have no implementing legislation. Second, the supplemental agreements might require relatively minor changes in U.S. law; in that case, those changes might be incorporated into legislation to implement the NAFTA agreement (preceding section). Third, if the supplemental agreements require substantial legislative change, they might be considered under separate legislation, but such legislation would not be considered under fast-track procedures and thus could be amended. Whether the supplemental agreements require legislation or not, their content will be an important factor in Members' decisions on whether or not to approve a bill implementing the NAFTA.

CONGRESSIONAL HEARINGS, REPORTS, AND DOCUMENTS

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U.S. Congress. Senate. Committee on Finance. North American free trade agreement. Hearings on labor issues, business and labor views, and agriculture and energy issues concerning NAFTA; 102d Congress, 2d session. Sept. 8, 10, 22, and 30, 1992. Washington, U.S. Govt. Print. Off., 1993. 457 p.

CHRONOLOGY

03/17/93 --- Negotiations on supplemental agreements began.

----- Potential effects of a North American free trade agreement on apparel investment in CBERA countries. USITC publication 2541. Washington, July 1992. 74 p. with appendices.

----- Potential impact on the U.S. economy and selected industries of the North American free trade agreement. USITC publications 2596 (311 p. with appendices) and 2597 (executive summary). Washington, January 1993.

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NAFTA

NEWS FROM THE HOUSE MAJORITY LEADER

For Immediate Release
June 30, 1993

Congressman Richard A. Gephardt
H-148, U.S. Capitol

Gephardt Comments on Court's NAFTA Decision

Washington, D.C. -- House Majority Leader Richard A. Gephardt released the following statement today, following the decision of the United States District Court for the District of Columbia regarding the necessity of the Clinton Administration filing an Environmental Impact Statement (EIS) prior to sending the North American Free Trade Agreement (NAFTA) to Congress:

"Since the beginning of negotiations on the NAFTA, I have argued that environmental issues must be part of the negotiating agenda. I believed then, as I believe now, that the NAFTA, without adequate provisions to clean up and protect the environment, would only continue environmental degradation.

"Today the Court held that the NAFTA has the potential to further degrade the environment. On this point, I agree with the court's conclusion. That is why I have supported President Clinton's call for a supplemental agreement to ensure the adequate enforcement of environmental laws. It is also why I have been adamant in pressing for a guaranteed funding source to clean up and protect the environment.

"President Bush chose to ignore these problems. I refuse to do so. And, I believe that Congress will not support an agreement that does not adequately protect the environment."

(30)

Contact: **Laura Nichols (202) 225-0100**

file NAFTA

The White House

Office of the Press Secretary

For Immediate Release **June 30, 1993**

STATEMENT BY UNITED STATES TRADE REPRESENTATIVE MICKEY KANTOR

We disagree with the opinion of the Court, holding that the United States Trade Representative is required to prepare an environmental impact statement on the North American Free Trade Agreement under the National Environmental Policy Act.

The Solicitor General has reviewed the matter and has determined to expeditiously appeal the Court's decision.

The Court's order does not affect the ongoing negotiations with Mexico and Canada on the supplemental agreements, and those negotiations will continue without interruption.

We believe that Court's decision is not in the public interest because it:

-- interferes with the President's ability to negotiate international agreements for the United States;

-- has serious implications in terms of the President's negotiating ability not only for the NAFTA, but also for the Uruguay Round and other Presidential trade initiatives; and

-- would, by creating the potential for protracted litigation and delay in implementing the NAFTA, in fact prevent the environmental progress that is an important objective for this Administration and can result from the NAFTA and the supplemental agreements.

Needless to say, we care deeply about the environmental effects of any administration action. We have examined and will continue to examine the environmental effects of the NAFTA and the proposed supplemental agreements protecting the environment.

The President remains committed to the NAFTA and intends to move forward to complete the negotiations and to submit the agreement for Congressional approval.

-30-

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

TO: Mark Gearan
David Dreyer
Bob Boorstin
Rahm Emanuel
Mike Waldman
David Gergen
Jeff Eller
Dee Dee Myers
George Stephanopaulos

FROM: Ann Walker

RE: The North American Free Trade Agreement

DATE: June 19, 1993

The following is a summary of the Clinton Administration Statement on the North American Free Trade Agreement. This was released today

The North American Free Trade Agreement

"In the face of all the pressures to do the reverse, we must compete, not retreat." -- President Clinton, February 26, 1993

Expanding Exports, Jobs and Growth

- The Clinton administration supports the North American Free Trade Agreement (NAFTA) with supplemental agreements because it will create high wage U.S. jobs, boost U.S. growth, and expand the base from which U.S. firms and workers can compete in a dynamic global economy.

Creating the Largest Market in the World

- With NAFTA, the United States, Canada, and Mexico will create the largest market in the world -- a combined economy of $6.5 trillion and 370 million people.

Leveling the Playing Field

- Mexico's trade barriers are now much higher than ours. NAFTA will level the playing field now tilted heavily in Mexico's favor.

- NAFTA will require little change on our part -- while requiring Mexico to sweep away decades of protectionism and over regulation.

- Removing Mexican restrictions against U.S. exports means that U.S. companies no longer will have to invest in Mexico or manufacture in Mexico to supply the Mexican market.

Creating Higher-Wage U.S. Jobs

- Defeating NAFTA could cause a sharp drop in exports to Mexico and thus the loss of hundreds of thousands of U.S. jobs

Protecting and Assisting U.S. Workers

- NAFTA not only will create a large number of new jobs in export industries, but also will insure that our import-sensitive industries have substantial room for adjustment.

The Wage Issue

- The idea that U.S. workers can't compete with low wage Mexican workers is a myth. If companies decided where to locate based solely on wages, investment would flock to countries much poorer than Mexico.

Immigration

- The combination of domestic reforms and NAFTA-related growth in Mexico will keep more Mexicans at home.

- It is likely that a reduction in immigration will increase the real wages of low skilled urban and rural workers in the United States.

Increasing Opportunities to Export to Mexico.

- NAFTA will "lock in" and expand trade gains achieved since Mexico began to open its economy in 1986.

- Mexico is our third largest export market and fastest growing major export market.

- Key sectors benefiting from NAFTA include automotive, agriculture, financial services, textiles, and communications.

Mexican Consumers Prefer U.S. Goods

- 70 cents of every dollar that Mexico spends on foreign products is spent on U.S. goods.

- Mexico purchases more imports per person from the United States than does the more affluent European Community countries and Japan.

Small and Medium-Size Business

- Small companies usually lack the resources to penetrate the thicket of Mexican trade barriers and regulatory restrictions. By lowering cost and dissolving barriers, NAFTA will help smaller business to penetrate the Mexican market without having to invest in Mexico.

Enhancing Environmental Protection

- NAFTA and its supplemental agreements will help ensure that economic development takes place in a way that protects and improves the environment.

Supplemental Agreements on Environment, Labor, and Import Surges

- The Administration is seeking supplemental agreements on import surges, the environment, and labor. These separate agreements will provide additional assurance that NAFTA-enhanced growth will be sensitive to environmental and labor concerns.

- The agreement on import surges would establish a tri-national committee to help ensure the effective use of NAFTA's provisions allowing temporary relief in the event of injurious import surges.

- The United States, Canada, and Mexico will establish a North American Commission on the Environment which will formally give environmental advice to trade representatives from the three NAFTA countries as well as provide a focal point to expand and strengthen existing environmental initiatives.

- The United States, Canada and Mexico will establish a North American Commission on Labor that will encourage domestic enforcement of national labor laws as well as promote the raising and strengthening of labor standards in North America.

- The supplemental agreements cannot resolve overnight all environmental and labor problems. But defeating NAFTA and the supplemental agreements would only aggravate these problems. Never has the United States had a comparable opportunity to promote improved environmental and labor conditions. If NAFTA and the supplemental agreements are successfully concluded and enacted, we will have an unparalleled opportunity with our neighbors to advance a broad agenda for economic growth and environmental improvement for our countries and all our people.

NAFTA and American Leadership

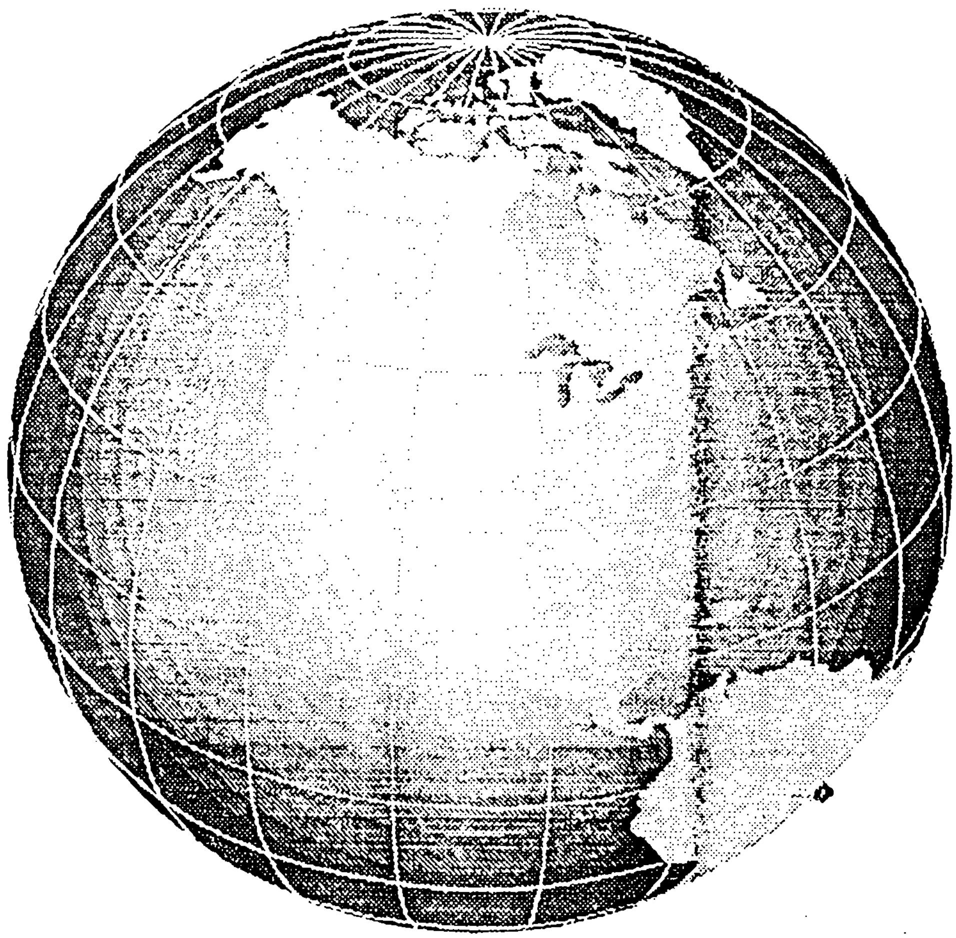
- The NAFTA has been negotiated by two Administrations. It stands as a testament to the ability of the United States to design a bipartisan foreign policy crafted to the requirements of the post-Cold War world. Its defeat would signal to the world that Washington is mired in inertia and gridlock.

Conclusion

- NAFTA will create jobs and improve our competitiveness. It will create the largest, richest market in the world. Mexico's strong and growing demand for U.S. products has created a $5.6 billion U.S. trade surplus. With a stronger Mexican economy and higher Mexican wages, demand for U.S. goods will continue to expand. Increased access to the rapidly growing Mexican market will create extraordinary new Opportunities for U.S. companies and workers. Taking advantage of these opportunities will lead to increased prosperity in the United States.

THE NAFTA

Expanding U.S. Exports, Jobs and Growth



Clinton Administration Statement
on the North American Free Trade Agreement

"In the face of all the pressures to do the reverse, we must compete, not retreat."

President Clinton, February 26, 1993

The North American Free Trade Agreement (NAFTA): Expanding Exports, Jobs and Growth

"The truth of our age is this—and must be this: Open and competitive commerce will enrich us as a nation... And so I say to you in the face of all the pressures to do the reverse, we must compete, not retreat."

–President Clinton, February 26, 1993

"By building together the largest free trading region in the world, Mexico, the United States and Canada are working to ensure that the future will bring increased prosperity, trade, and new jobs for the citizens of each of our countries."

–President Bush, July 15, 1992

Every generation of Americans has embraced the challenge of its times. None has shrunk from the task. Our biggest challenge today is economic—to channel a changing international economy to our benefit.

The Clinton Administration is committed to rebuilding the U.S. economy from the ground up. We must prepare our entire work force to compete in the global economy and make sure that nobody gets left behind in the process. We look at trade—and every other issue—from the viewpoint of what is best for ordinary Americans who work hard, play by the rules, and want a chance to get ahead. The key building blocks are economic growth and jobs.

The North American Free Trade Agreement (NAFTA) is a part of this forward-looking strategy. This Administration supports the NAFTA with supplemental agreements because it will create high-wage U.S. jobs, boost U.S. growth, and expand the base from which U.S. firms and workers can compete in a dynamic global economy.

Critics of NAFTA use scare tactics to assert that NAFTA will put Americans out of work. The truth is quite the opposite:

- NAFTA will spur further job gains and push jobs related to exports to Mexico toward the 1 million mark.
- Defeating NAFTA could cost hundreds of thousands of such jobs.

The facts about NAFTA:

- NAFTA will create the biggest market in the world—right at our doorstep: a $6.5 trillion market with 370 million people.
- NAFTA will level a playing field that remains—despite recent Mexican market openings—substantially tilted in Mexico's favor. Mexico's tariff barriers to U.S. goods are still 2.5 times greater than our own. All tariffs will be phased out under NAFTA.
- NAFTA will expand benefits the United States has enjoyed since Mexico began to open its markets in 1986. U.S. merchandise exports to Mexico have risen by 228% since 1986, reaching $40.6 billion in 1992.
- U.S. jobs supported by these merchandise exports rose from 274,000 in 1986 to an estimated 700,000 in 1992—and these jobs are in all 50 states. (Merchandise exports to Canada support another 1.5 million U.S. jobs.)
- NAFTA will create an estimated 200,000 additional high-wage jobs related to exports to Mexico by 1995.
- NAFTA will increase opportunities for American firms to sell to Mexico. Those opportunities are especially important for small and medium-size businesses that cannot readily overcome high Mexican border barriers.

Mexico were $8.9 billion in 1992). This will benefit such industries as enhanced telecommunications services, insurance, banking, accounting, and advertising.

- Under NAFTA, our access to Canada's service market also will be more open than it is under the existing U.S.-Canada Free Trade Agreement.

Removing Mexican restrictions against U.S. exports means that U.S. companies no longer will have to invest in Mexico or manufacture in Mexico to supply the Mexican market.

NAFTA will eliminate Mexican requirements that force our companies in Mexico to:

- Purchase Mexican goods instead of U.S.-made equipment and components;
- Export their production, usually to the United States, instead of selling directly into the Mexican market; and
- Produce in Mexico to sell in Mexico. For example, the current Auto Decree has the effect of barring automotive imports from the United States through a complex series of investment requirements that will be phased out under NAFTA.

III. Creating Higher–Wage U.S. Jobs

A strong consensus of the economic studies that have looked at the labor effects of NAFTA have found it will result in increased jobs or increased real wages—or both.

Our ***experience*** confirms the findings of these studies. Since Mexico began to open up its economy and prepare for NAFTA, the number of American workers producing merchandise exports to Mexico has risen from 274,000 in 1986 to an estimated 700,000 last year. (See Chart 2.)

- With NAFTA we anticipate 200,000 MORE export-related jobs by 1995.
- Wages of U.S. workers in jobs related to exports to Mexico are 12% HIGHER than the national average. (See Chart 3.)

NAFTA will further open the Mexican economy so that we can push employment related to exports to Mexico toward the 1 million mark.

CHART 2

U.S. Employment Supported by Merchandise Exports to Mexico

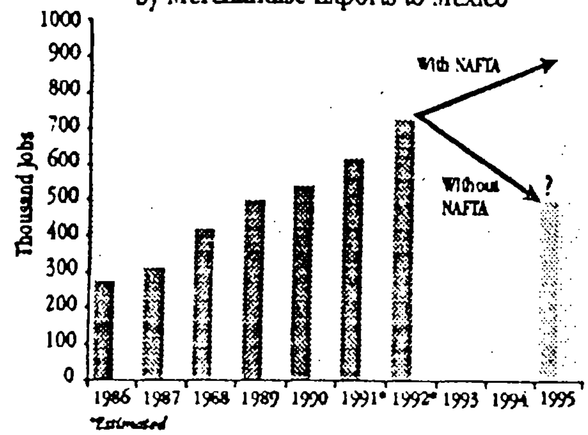
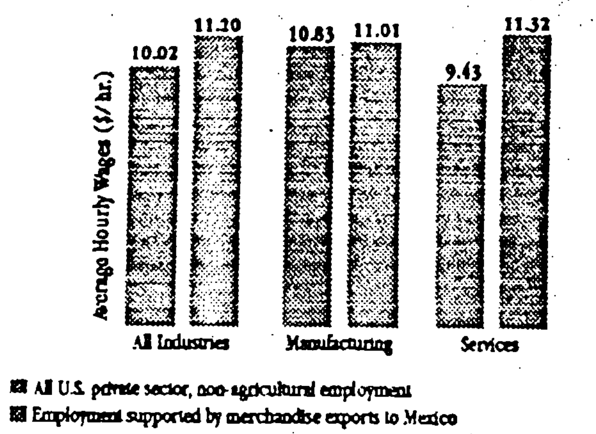


CHART 3

U.S. Jobs Supported by Exports to Mexico Pay More Than Other U.S. Jobs



Defeating NAFTA could cause a sharp drop in exports to Mexico and thus the loss of hundreds of thousands of U.S. jobs:

- Without NAFTA, we anticipate a reduction in U.S. exports and related jobs. Mexico could suffer capital flight, disinvestment, and a loss of confidence in its economy. A less healthy Mexico would be less able to afford imports produced in the United States.
- The precise impact is difficult to measure. However, in the first two years of the Mexico debt crisis (1981-1983), U.S. exports to Mexico dropped by almost half.

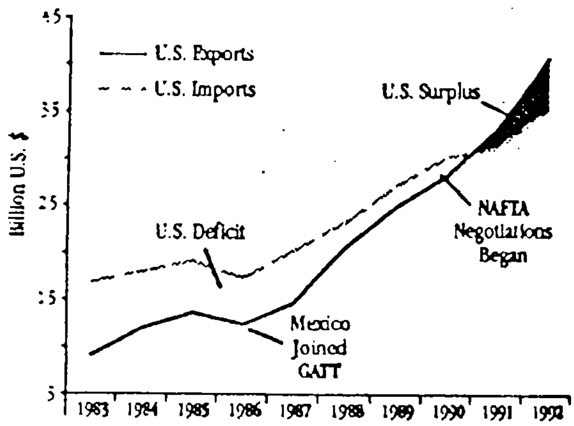
IV. Increasing Opportunities to Export to Mexico

NAFTA will "lock in" and expand trade gains achieved to date. Since Mexico began to open up its economy in 1986:

- U.S. exports to Mexico have expanded enormously, rising from $12.4 billion in 1986 to $28 billion in 1990 and a whopping $40.6 billion in 1992.
- The U.S. trade balance with Mexico has shifted from a $5.7 billion deficit in 1987 to a $5.6 billion SURPLUS in 1992. (See Chart 4.)

CHART 4

U.S. Merchandise Trade with Mexico: From Deficit to Surplus



Mexico is important to the U.S. economy because it is our:

- Third largest export market and the fastest growing major export market:

  Since 1986, U.S. merchandise exports to Mexico have increased by 228% (to $40.6 billion)—2.3 times faster than U.S. exports to the world.

- Second largest market after Canada for manufactured exports (amounting to $34.5 billion in 1992).
- Third largest market for agricultural products (after Japan and Canada), reaching $3.7 billion in 1992 (a 242% increase since 1986).

Mexican consumers prefer U.S. goods:

- 70 cents of every dollar that Mexico spends on foreign products is spent on U.S. goods. Given its location, this preference is likely to continue.
- Mexico purchases more imports per person from the United States than does the more affluent European Community countries and Japan. For example, last year, each Mexican, on the average, purchased more than $450 worth of U.S.-made products. By contrast, the average Japanese spent $385 on U.S. products, despite the fact that average Japanese incomes are five times as high as average Mexican incomes.

Key sectors benefitting from NAFTA include automotive, agriculture, financial services, textiles, and communications:

- U.S. telecommunications exports jumped 50% in 1991. Mexico is the industry's second largest export market after Canada.
- Detroit's Big 3 predict that their combined exports could rise from 1,000-plus to over 60,000 vehicles in NAFTA's first year alone.
- Mexico was primarily a bulk commodity market for U.S. agricultural exports prior to 1987. Now it is one of the United States' largest and fastest growing high-value markets. High-value products now account for almost 70% of all U.S. agricultural sales versus 40% in 1987.

Small and Medium-Size Businesses

The significant expansion of the Mexican market will benefit small and medium-size businesses in particular. These companies usually lack the resources to penetrate the thicket of Mexican trade barriers and regulatory restrictions. By lowering costs and dissolving barriers, NAFTA will help smaller businesses to penetrate the Mexican market without having to invest in Mexico.

V. Enhancing Environmental Protection

NAFTA and its supplemental agreements will help ensure that economic development takes place in a way that protects and improves the environment.

VII. NAFTA and American Leadership

In the post-Cold War world, American leadership will be measured in part by the creativity and aggressiveness of our trade policy. Bold, original, and forward-looking, NAFTA is worthy of a world leader.

- In North America, division between foreign and domestic matters narrows every day. American communities are inevitably affected by what happens in Canada and Mexico. Their problems spill over the border to harm us—just as their success adds to our welfare.
- By increasing the flows of commerce and culture and by forging new cross-border friendships among labor and environmental organizations, the NAFTA will promote prosperity and democracy in neighboring Mexico. Americans who favor freedom and good government in Mexico should favor NAFTA.

NAFTA has been negotiated by two Administrations. It stands as a testament to the ability of the United States to design a bipartisan foreign policy crafted to the requirements of the post-Cold War world. Its defeat would signal to the world that Washington is mired in inertia and gridlock.

- NAFTA's defeat would raise serious questions about America's commitment to global leadership, thereby undercutting our influence throughout the world.
- NAFTA's defeat would shock the Mexican econc my, depress wages and living standards, reduce th Mexican capacity to purchase U.S. products, an stimulate immigration. It could also create tension on a host of critical issues from illegal drugs to oi
- NAFTA's defeat would also throw sand in the eye of our allies throughout Central and South America who are striving to open their markets and democ ratize their societies. Anti-Americanism, protection ism, and authoritarianism may well increase. A NAFTA defeat would be a major, self-inflicted setback to American leadership.

Conclusion

NAFTA will create jobs and improve our competitiveness. It will create the largest, richest market in the world. Mexico's strong and growing demand for U.S. products has created a $5.6 billion U.S. trade surplus. With a stronger Mexican economy and higher Mexican wages, demand for U.S. goods will continue to expand. Increased access to the rapidly growing Mexican market will create extraordinary new opportunities for U.S. companies and workers. Taking advantage of these opportunities will lead to increased prosperity in the United States.

NAFTA Is Good For America

Questions and Answers about NAFTA

Q. *How can Mexico, a low-income country, be such a large market for U.S. exports?*

A. Mexico now is our third-largest trading partner. Although Mexican per capita incomes are low relative to incomes in the United States, Mexico is a country of 90 million people (who prefer U.S. to other foreign products) and a developing country with an improving economic outlook. On a per capita basis, Mexico purchases more U.S. products than our trade partners in the European Community and Japan. NAFTA will help the United States take further advantage of the growing Mexican market for U.S. exports.

Q. *Will NAFTA result in massive U.S. job losses to low-wage Mexican workers?*

A. No. NAFTA will increase jobs, productivity and wages in the United States as well as in Mexico and Canada. If lower wages were the only reason that companies moved to other countries, Haiti and Bangladesh would be economic powerhouses by now. Other factors such as high worker productivity in the United States and high non-wage costs in Mexico (including transportation, infrastructure, and support service costs) make U.S. workers more competitive than their Mexican counterparts.

Q. *What has been the effect of the 1989 United States-Canada Free Trade Agreement on U.S. exports?*

A. Before the agreement, Canada had tariffs on imports that were two or three times higher than those of the United States (similar to Mexico today). After the agreement to eliminate tariffs and other barriers on all United States-Canada trade flows and many restrictions on investment and services, U.S. merchandise exports grew 27% between 1988 and 1992 (from $71.6 billion to $90 billion). U.S. service exports to Canada increased by 78% to $17.2 billion during the same time period. Also, since the agreement, there have been numerous calls from both sides of the border to accelerate the scheduled phase out of tariffs.

Q. *What long-term impact will NAFTA have on illegal immigration from Mexico?*

A. NAFTA will promote economic growth and increase wages in all three countries. This will create more economic opportunities for workers in Mexico—the single most important, long-term remedy to illegal migration from that country. According to some scholars, significant real wage increases could also occur for U.S. rural and lower skilled urban workers as a result of reduced emigration from Mexico to the United States.

Some economic studies of NAFTA considering the immigration issue have been misconstrued to suggest that hundreds of thousands of Americans would lose their jobs because of NAFTA. In fact, these studies do not show such results. The "U.S." job losses turn out to be hundreds of thousands of Mexican workers who decide to remain in Mexico because of the enhanced job opportunities created by NAFTA; without NAFTA, they would have crossed the border to compete for jobs in the United States. These are not jobs "lost" by American workers, but rather U.S. jobs foregone by Mexican workers for whom NAFTA will provide an acceptable economic alternative at home.

Without NAFTA and a stronger Mexican economy, pressures for illegal Mexican emigration to the United States would only continue to increase.

Q. *In the short term, would eliminating Mexico's barriers to U.S. agricultural imports lead to more rural Mexican unemployment and increase pressures to migrate to the United States?*

A. The NAFTA agreement contains the longest phase-in period (up to 15 years) for Mexico to liberalize agricultural trade policies with the United States and Canada. This gives Mexican farm laborers time to adjust and will help minimize short-term immigration effects. With or without NAFTA, agricultural reforms will continue to reduce Mexican agricultural employment. NAFTA will enhance the opportunities for displaced Mexican agricultural workers to find other jobs in the Mexican economy.

Q. *Won't increase trade flows from NAFTA worsen the flow of illegal drugs into the United States?*

A. While NAFTA will reduce tariffs, it will not relax customs controls on the border. As trade between the United States and Mexico has increased in recent years, cooperation in counternarcotics and law enforcement has improved. By promoting U.S.-Mexican cooperation, the NAFTA can foster a positive atmosphere for further bilateral efforts to fight drugs.

For More Information Contact:

file: NAFTA

MEMORANDUM

TO: Mark Gearan

FROM: Ann Walker

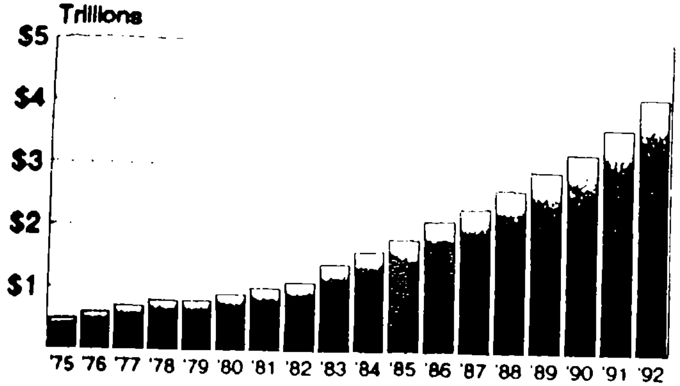
DATE: August 25, 1993

RE: Perot Book on NAFTA

Attached is an early release draft of the new Perot book on NAFTA. The book is scheduled to hit bookstores in early September but there are reports that some bookstores will have copies as early as this Friday.

We will send you talking points ASAP. Let me know if you have any questions or need additional information.

Total Federal Debt



At this critical time, we must do nothing that will lower the standard of living of the American worker.

In United We Stand America, every issue must pass through one filter —

Is it good for our country?

As you read this book, repeatedly ask yourself this question.

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United We Stand America

The purpose of United We Stand America is to give the people a voice.

You own United We Stand America.

The goals of United We Stand America are:

- To re-create a government that comes from the people — not at the people.
- To reform the federal government at all levels to eliminate fraud, waste, and abuse.
- To have a government where the elected, appointed, and career officials come to serve and not to cash in.
- To get our economy moving and put our people back to work.
- To balance the budget.
- To pay off our nation's debt.
- To build an efficient and cost effective health care system.
- To get rid of foreign lobbyists.
- To get rid of political action committees.
- To make our neighborhoods and streets safe from crime and violence.
- To create the finest public schools in the world for our children.
- To pass on the American Dream to our children, making whatever fair shared sacrifices are necessary.

To The Reader,

Imagine for a moment that the President of the United States and the Congress were to decide that one state, such as California, was so badly in need of investment and jobs that it — and it alone — would be exempted from the laws that govern work and life in America. Let's assume that the state of California reduced its minimum wage to 58 cents an hour, exempted itself from child labor laws, expanded the work week, and reduced protections for health, safety, pension rights, and the environment. Then imagine that the goods and services produced by the California companies would still have unlimited access to the markets of the other 49 states. Ridiculous? Of course. The other states would never allow such a drastic and unfair scheme.

Yet, none of this is imaginary. The state is Mexico. President Clinton, virtually every state governor, most U.S. Senators, and almost a majority of the members of the U.S. House of Representatives support a recently negotiated trade agreement that will make this scenario a reality. It is known as the North American Free Trade Agreement (NAFTA), and if it is passed, the trade agreement will pit American and Mexican workers in a race to the bottom. In this race, millions of Americans will lose their jobs.

It seems bizarre that our public servants would put our jobs at risk.

The North American Free Trade Agreement is really less about trade than it is about investment. Its principal goal is to protect U.S. companies and investors operating in Mexico.

The text of the agreement is contained in two volumes covering more than 1,100 pages. The text is mind-numbingly dull. Large portions of it are written in the type of obscure legal terms found in the fine print on the back of an insurance policy. Buried in the fine print are provisions that will give away American jobs and radically reduce the sovereignty of the United States.

The deal was negotiated under a special congressional authorization that gave extraordinary powers to the president. He alone was given the authority to decide whether to proceed, set the U.S. strategy, select who would be involved as advisers, and negotiate in complete secrecy.

NAFTA is the ultimate insider deal. A completed pact was announced on August 13, 1992, but the text of the agreement was kept out of the hands of the American people until January 20, 1993.

In October 1992, presidential candidate Bill Clinton announced his support for NAFTA. He accepted the basic agreement as negotiated by the Bush Administration. In addition, he asked for side agreements on worker rights, environmental protection, and restraints against cheap imports. The side agreements will be submitted to Congress along with NAFTA. These side agreements have also been negotiated in wartime-like secrecy.

Before NAFTA can go into effect, it must be approved by a simple majority in both the U.S. Senate and the U.S. House of Representatives.

The government of Mexico and Mexican corporations have hired dozens of former U.S. trade negotiators, American diplomats, political party officers, and U.S. cabinet members to get this deal through our Congress. It is the most expensive foreign lobbying campaign in U.S. history.

The Mexican efforts, moreover, are boosted by the lobbying of the largest corporations in the United States, most of which have already moved thousands of American jobs to Mexico and want the guarantees provided by this pact so that they can move even more jobs.

The objective of this book is to explain to the working people of the United States just what is contained in the North American Free Trade Agreement, how it will cost millions of American jobs, and why the agreement is not in our national interest. At the

same time, this book outlines what should be involved in the right kind of deal with Mexico.

Mexico is our neighbor, its people are good, and we want them to prosper. But NAFTA is not the way.

The present deal must be scrapped and negotiators put to work to develop a long-term economic relationship between Mexico, Canada, and the United States that is in our mutual interest.

If the administration pursues its plan to have NAFTA in place by the end of 1993, then American voters must take action. First, they must examine for themselves what is in this deal and decide if they support the agreement as it now stands. If they agree that NAFTA should be rejected, then millions of citizens must contact their senators and representatives and stop it. Their addresses, telephone numbers, and fax numbers are found in the back of the book.

Never forget, this is our country. We own it. Congress works for us.

Ross Perot

Dallas, Texas
September 6, 1993

How Other Countries See Washington, D.C.

The Japanese. in the Japan Economic Journal, *say:*

Influence in Washington is just like Indonesia — it's for sale.

The British, in The Economist, *say:*

Washington's culture of influence for hire is uniquely open to all buyers, foreign and domestic. Its lawful ways of corrupting public policy remain unrivaled.

The Dutch writer, Karel van Wolferen, says:

A big part of the problem is that Americans can be bought so easily.

Chapter 1

Out Traded – Again

On November 1, 1992, President Carlos Salinas de Gortari addressed the Congress of Mexico. He appeared as a conquering hero, having just concluded the most successful trade negotiation in Mexican history — the North American Free Trade Agreement.

With pride, President Salinas explained how Mexico had out negotiated the United States. Under NAFTA, he said, Mexican manufacturers would have immediate access to the rich U.S. and Canadian markets, yet Mexico would be able to keep vital parts of its market closed to American and Canadian companies for another 15 years. He also said:

> Exports to Canada and the United States will increase following the elimination of quotas and duties — some to be eliminated immediately and others gradually. Mexico will also open its market, but will do so more slowly, starting with those products that we [Mexico] do not produce, or productions with which we are better prepared to compete. In those sectors in which we are less efficient, we were granted longer terms to open our markets, which range between 5 and 15 years, and allowed time to modernize, produce and distribute more efficiently, and thus compete more successfully. This procedure takes into account the different degrees of development in the three countries. This is why 84 percent of our exports will immediately be free from import duties to enter the [U.S. and Canadian] market. We, in turn, will initially be open to 42 percent of the products they send us, which consist mainly of raw

materials and capital goods that are not manufactured in Mexico.

The Salinas address was televised throughout Mexico. In the days that followed, the government-dominated media praised the agreement and repeated over and over the benefits that NAFTA would bring to the people of Mexico.

The media, however, did not identify the tiny handful of people in Mexico who would gain the very most from this trade pact. They are the 36 businessmen who own Mexico's 39 largest conglomerates. Collectively, their companies control more than 54 percent of Mexico's Gross National Product. These companies dominate virtually every sector of the Mexican economy of any consequence — banking, insurance, steel, transport, manufacturing, engineering, construction, real estate, and telecommunications, among many others. When the Mexican government sold off big chunks of Mexico's state-run companies in the late 1980s and early 1990s, this tiny handful of people quickly acquired control.

In late February 1993, President Salinas hosted a private dinner in Mexico City for 29 of these Mexican elite. Over smoked salmon, beef medallions, and wine, an aide to President Salinas pointed out that each of the men at the table had benefited from the present political system. Each of them had profited from the economic reforms of the Salinas administration, and all would benefit from the new trade agreement. The aide spelled out the details of a political slush fund that President Salinas wished to create.

Then President Salinas spoke. He told the businessmen that when he leaves office in 1994 (Mexico's president has a six-year term limit), he intends to leave his ruling political party, the PRI, strongly in control of Mexico's government, as it has been since 1929. But to do so, Salinas said, required money. He asked each of the 29 businessmen to make a $25 million political contribution.

One by one, they responded. All said that they would contribute. One businessman said, "I have won so much money in these past years that I commit myself to contribute a greater amount." He, alone, pledged $70 million.

A $25 million political contribution is serious money. But for these men, it would be money well invested because NAFTA would guarantee the advantages that President Salinas had gained for them.

Advantages of NAFTA for Mexico

Trucking

More than 80 percent of the trade between Mexico and the United States moves by truck. If NAFTA is enacted, that freight volume will double and then double again within this decade. The owners of the trucking companies, terminals, and warehouses will reap enormous profits.

NAFTA gives Mexican investors, such as the 29 elite businessmen at the Salinas dinner, a distinct competitive advantage in the U.S.-Mexican trucking industry. The agreement, for instance, does not allow U.S.-owned trucks to cross into Mexico for three years, even though Mexican trucks already are allowed to move goods into U.S. border areas.

NAFTA also permits Mexican investors to hold one hundred percent of the stock of U.S. international trucking companies (those authorized to do business in both countries) just three years after the deal is ratified. Yet, U.S. investors cannot hold a one hundred percent ownership in a similar Mexican company until the 11th year of the agreement.

Because of these unequal investment rights embodied in NAFTA, Mexican trucking companies can assure their U.S. and Mexican customers a guaranteed level of service from pickup to delivery, and will do so almost from the day that NAFTA is enacted. By contrast, U.S. trucking companies must wait ten years before they can offer the same service.

More important, NAFTA jeopardizes the safety of American travelers. In order to make U.S. highways safe, U.S. trucks must comply with federal standards concerning weight, size, maintenance, and engine emissions levels. Very strict regulations are also imposed on American truck drivers. These regulations set tough standards which cost American trucking companies money, but are necessary to keep U.S. highways safe.

NAFTA makes a mockery of these safety standards by opening U.S. roads to trucks and drivers who do not meet U.S. minimum safety standards. U.S. trucks, for instance, are required to have front brakes, but Mexican trucks are not. U.S. trucks must meet tough repair and maintenance regulations, but Mexican trucks do not.

The United States imposes an 80,000 pound weight limit on a truck; Mexico's weight limit is 170,000 pounds. U.S. highways, bridges, and tunnels are designed for U.S. weight standards, not Mexican weight standards. Under NAFTA, Americans can expect to see overloaded Mexican trucks that will crush our highways and reduce the usable lives of our bridges and tunnels. U.S. taxpayers, of course, will foot the repair bill.

Federal and state agencies are supposed to keep overloaded, unsafe trucks off the U.S. highways. But these agencies are so understaffed that adequate inspection is simply impossible. At the Laredo, Texas border crossing, for example, there are only two inspectors from the Texas Department of Public Safety. Yet, more than 700 trucks a day cross into the United States. This equals one truck every four minutes per inspector. And that's if they arrived evenly spaced over the entire twenty-four hour day — which they don't.

Once inside the United States, the Mexican trucks will be subject to U.S. weight limits. Roadside weight inspection stations are used to enforce these weight limits. However, truckers share information with one another about the location of the weigh stations, and they frequently change their routes to avoid weigh stations and safety inspections.

Many of the drivers of these Mexican trucks will not meet the minimum safety qualifications required of U.S. truck drivers. American truck drivers, for instance, must be 21 years old before they are eligible to get a commercial driver license. Mexican truck drivers need only be 18 years old. American truck drivers must pass tough, standardized licensing tests. The Mexican tests are much easier. American truck drivers are subject to random drug tests, Mexican truck drivers are not. To prevent fatigue, American truck drivers can only drive 10 hours per day and no more than 60 hours per week. Mexican truck drivers can drive an unlimited number of hours per day or week. The driving records of American truck drivers can be accessed immediately by law officials anywhere in the United States. The records of Mexican truck drivers operating in the United States cannot be accessed.

Finally, U.S. truck drivers are required to have a working knowledge of English before they can get a commercial license. The ability to quickly read road signs is vital. Yet, Mexican truck drivers intending to drive in the United States do not have to read English to get a Mexican commercial license authorizing them to drive in the United States.

Not surprisingly, many Mexican trucking companies already take advantage of Mexico's low standards and almost total lack of enforcement. A check of 271 Mexican truck drivers operating inside the commercial zones of Arizona and New Mexico found that 19 percent had no commercial drivers license, and that 81 percent of their vehicles did not have a certificate of registration required by the Interstate Commerce Commission. In essence, four out of every five vehicles was unregistered, and one of every five drivers was unlicensed. Do you suppose they had insurance? When the United States has attempted to enforce its highway safety laws on Mexican trucks, Mexico's border officials have retaliated against American citizens, and Mexican truck drivers have blocked the borders.

Even if the U.S. and Mexico develop some common standards for trucks, drivers, and highway safety — as they are supposed to do under NAFTA — it is doubtful that they will, or can, be enforced.

Communications

NAFTA also favors Mexican investors in the communications sector. Mexican investors, for instance, can hold one hundred percent ownership of U.S. cable television systems or companies that provide cable television services in the United States.

Under NAFTA, however, U.S. investors in Mexico can only own, directly or indirectly, up to 49 percent of similar enterprises. What's more, only Mexican citizens or enterprises are permitted to operate a cable television system in Mexico. Again, Americans wanting to invest in Mexico's cable television industry need a well-connected, and controlling, Mexican partner.

Construction

According to the NAFTA proponents, the agreement will stimulate a major construction boom in both the United States and Mexico. But under NAFTA, Mexican investors will be better able to profit from this new activity than their U.S. counterparts.

Why? Because NAFTA allows Mexican investors to own one hundred percent of construction companies doing business in the United States, but limits U.S. investors to 49 percent ownership in Mexican construction companies for the first five years of the agreement.

In exceptional cases, U.S. investors can own a majority interest in a construction company doing business in Mexico, but approval by the Mexican government is required on a case-by-case basis. Having a Mexican partner in such instances is an unofficial obligation.

Banking

As part of Mexico's economic reforms, President Salinas sold 18 government-owned banks. They were bought by Mexico's economic elite. NAFTA ensures that these new owners retain a tight grip over Mexican banking for at least another decade.

Today, only one U.S. financial institution — Citicorp — has a deposit-taking operation in Mexico, and it only has $500 million of Mexican deposits. Meanwhile, there are at least six Mexican

banks operating in the United States, with U.S. deposits of more than $5.6 billion.

Under NAFTA, Mexico keeps its largest banks "off limits" to U.S. investors by limiting all foreign ownership of the bank's common stock to no more than a total of 30 percent. NAFTA allows U.S. banks to establish operations in Mexico, but limits all foreign banks from controlling more than eight percent of the entire Mexican banking sector. This market share would increase to no more than 15 percent by 1999. However, if non-Mexican banks reach the point where they hold 25 percent of the Mexican market between the years 2000 and 2004, Mexico can freeze the foreign-owned market share at that level until 2007.

Even if NAFTA is enacted, U.S. banks will be prohibited from enjoying the full benefits of NAFTA until the year 2007. There will be a total lack of banking reciprocity between the U.S. and Mexico for another 13 years. Who negotiated this one?

So why are U.S. banks such strong supporters of NAFTA? Because banking operations in Mexico are not subject to the same strict regulations as U.S. banks — the regulations that are designed to protect U.S. depositors from speculative investments by the institutions that are holding their money. For example, a bank operating in Mexico may participate with more freedom in securities-related investment activities. This means that U.S. banks will have every incentive to get their U.S. business customers to establish affiliates in Mexico. Once the customer is doing business in Mexico, the banks can take an equity position in these enterprises and provide a wide array of very speculative and potentially very profitable services that are prohibited by U.S. laws.

Auto Trade

Clearly, the Mexican negotiators out-traded the U.S. negotiating team in the areas of land ownership, communications, shipping, and banking. But it didn't stop there. The U.S. negotiators stuck to their strategy and gave away more American jobs.

Auto trade among Mexico, the United States, and Canada accounts for *more trade than any other single product.* One of the reported U.S. goals in the NAFTA negotiations was to eliminate Mexican and Canadian restrictions on the production and sale of cars.

If that was the goal, the U.S. negotiating team failed spectacularly. By the end of the negotiations, the U.S. team had agreed to let Canada continue to require U.S. automakers who sell in Canada to manufacture most of their vehicles there. The U.S. team also agreed to allow Mexico to keep most of its auto investment and production restrictions in place for another ten years. Meanwhile, the U.S. auto market remains virtually open.

Even worse, the United States also agreed to immediately drop its tariffs on automobiles imported from Mexico regardless of whether they are manufactured by European, Japanese, Mexican, or American companies while allowing Mexico to keep half its tariffs on vehicles produced in the United States. The remaining Mexican tariffs would be phased out over a ten-year period.

The bottom line is that NAFTA will allow U.S. automakers to replace American workers with low-wage Mexican workers. At the same time, European and Japanese manufacturers will gain easy access to the U.S. markets. Northern Mexico will replace Detroit as the car production center of North America.

Agriculture

The NAFTA deal on agricultural trade is just as bad. Under NAFTA, only Mexicans can own land that is used for agricultural production in Mexico.

Also, NAFTA allows Canadian wheat producers to keep the price and marketing advantages over U.S. producers that were negotiated in the 1988 Canadian Free Trade Agreement. In wheat markets, just a small price advantage makes a big difference in sales.

The U.S. citrus industry will also suffer under NAFTA. The United States must immediately cut its tariffs on the import of frozen concentrated citrus from Mexico in half. In contrast, Mexico only has to phase out its 20 percent duty on imports of U.S. citrus *over an extended period of time*. NAFTA will accel-

erate investment in Mexico's citrus export operations. In the process, Florida's citrus industry will be devastated. Today, Florida's citrus industry employs 145,000 workers in the growing, processing, distribution, and marketing of citrus products.

NAFTA also exempts Mexico from the U.S. Meat Import Act, which limits the amount of imported beef that can enter U.S. markets. At the same time, the agreement will give Mexico unrestricted access to U.S. and Canadian feed grains, which it needs to develop a large scale cattle-feeding and beef-processing industry. The result will be a massive shift of the U.S. beef industry from the United States to Mexico as investors rush to take advantage of cheap wages, low safety standards, and lax sanitation practices. As a result, more American jobs will be lost. Remember, each lost job causes a triple-dip: loss of needed income taxes; loss of social security payments; and increased unemployment compensation payments.

The Real Deal

Just after the private Salinas dinner in February 1993, the event and the pledges became a major U.S. and Mexican news story. Soon afterwards, President Salinas agreed not to accept the promised political funds. The source of the news leak has never been identified. The most likely explanation is that it was one of the elite 29 Mexican businessmen at the dinner who didn't want to make a $25 million political contribution to President Salinas. Besides, each of the businessmen already has most of what he wanted included in NAFTA.

Ultimately, NAFTA is not a trade agreement but an investment agreement. NAFTA's principal goal is to protect the investment of U.S. companies that build factories in Mexico. This is accomplished by reducing the risk of nationalization, by permitting the return of profits to U.S. businesses, and by allowing unlimited access to the American markets for goods produced in Mexico.

The eventual elimination of Mexican tariffs on U.S. goods going to Mexico, which average only about ten percent, will mean little to most U.S. companies and workers. The reason is simple: Mexico's market is small — less than five percent of the size of the U.S. market — and Mexican consumers are poor. Mexicans have per capita incomes that are less than $2,500 a year, or roughly one-tenth that of someone in the United States. A person making that little can't buy very much.

Does anyone from the United States benefit from NAFTA? Yes, the owners of labor intensive companies that move their factories to Mexico. They can save a minimum of $10,000 for every job they move from the United States to Mexico. In the process, they can avoid U.S. environmental, health, and safety regulations.

Indeed, this job shift is already happening. Today, more than 1,300 U.S. companies are operating more than 2,200 factories in Mexico. They employ more than 500,000 Mexican workers. Most of these jobs were once held by American workers.

Today, thousands more U.S. companies are being urged to move their factories to Mexico by the Mexican government, by banks that want a foothold in Mexico, and by junk bond dealers. If NAFTA passes, it will remove any final doubts for those companies.

A person can only wonder why and how a trade agreement so harmful to U.S. interests was negotiated, and whose interest was foremost in the minds of the U.S. negotiating team.

Chapter 2

A Secret Deal

The world almost had a bank panic over the weekend of August 14 and 15, 1982, when the Mexican government suspended payments on its international debts.

To forestall a world financial panic, a Mexican bailout package was stitched together over that weekend by the U.S. Treasury, the International Monetary Fund, and the World Bank. But there was a price. Mexico had to commit to privatize its state enterprises, lower wages, reduce imports, expand exports, and attract more foreign investment.

Subsequently, the strategy was ruthlessly pursued. In quick order, Mexico slashed its public expenditures and cut its imports. Mexico also sold off dozens of state-owned enterprises.

To attract foreign-owned factories, Mexico reduced the wages of its workers and promoted its Maquiladora Program. This program allows foreign investors in specially designated areas of Mexico to hold one hundred percent ownership of factories. These factories produce mainly for export, and most of their products go to the United States. Yet, Mexico kept most of the Mexican economy "off limits" to foreigners.

When President Salinas came to power in 1988, Mexico accelerated its economic reform program. Salinas also accelerated Mexico's efforts to attract foreign factories. In 1989 and early 1990, he met with European and Japanese corporations. Salinas expected that Mexico's economic reforms would make his country attractive to these investors, but instead he was politely rebuffed — Mexico's domestic market was too small and too poor. The keys to Japanese and European investment at the levels Mexico wanted, he was told, were expanded protection for investors and guaranteed access to the vast U.S. market.

President Salinas got the message. In June 1990, he met with President Bush in Washington and proposed that the United States and Mexico negotiate a free trade and investment agreement that would open up all of Mexico to foreign investment in much the same manner as the border area was opened to foreign investment under the Maquiladora Program. President Bush quickly agreed. The two men then called Canadian Prime Minister Brian Mulroney and invited Canada to join in these negotiations. Despite some well-founded reservations, Prime Minister Mulroney eventually consented. Before negotiations began in June 1991, there was one item that President Bush needed to get from Congress.

Getting on the Fast Track

The most bitter Congressional fight of 1991 was over an obscure little piece of legislation called "fast track." It gave President George Bush the authority to negotiate the North American Free Trade Agreement in complete secrecy and without the participation of either Congress or the U.S. public.

The fact that a Republican president won this battle with a Congress controlled by Democrats could lead to speculation as to how the victory was achieved. For the moment, let's defer the speculation on the "how" and turn our attention to the "what" — as in what was achieved in this victory.

The term "fast track" refers to a process whereby Congress turns over to the President its authority to regulate foreign commerce — a power granted to Congress in Article I, Section 8 of the Constitution. Operating under the "fast track" designation, President Bush had the authority to:

- Enter into negotiations with Mexico and Canada on a trade agreement at his sole discretion;
- Set the agenda on which items would be negotiated and the negotiating objective for each item;

- Select all the private sector advisers that would be used to guide the negotiations and establish the way that their advice would be used, if at all;
- Conduct the entire negotiations in secrecy and make side agreements which could remain a secret among the three governments;
- Restrict Congress' access to materials about the agreement during the negotiations, and force Members of Congress to pledge neither to take notes on materials they were permitted to see nor to share that information with anyone;
- Determine when, or if, any materials about the agreement, including the final text, would be released to the public and the manner and form in which it would be made available; and
- Send a final agreement to Congress that could not be amended, and therefore, had to be accepted or rejected as presented.

Congress also agreed to make the agreement a top priority and vote on it within 90 days after receiving it from the President. Congress agreed, moreover, to limit any debate to 20 hours in the House and 20 hours in the Senate. To make certain the path was completely clear, "fast track" did not allow a Senate filibuster. For the Senate to forgo its right to filibuster is unusual. Since 1960, the Senate has approved or ratified 25 treaties, conventions, and agreements — including nuclear nonproliferation treaties — all without "fast track."

Congress gave President Bush "fast track" authority for NAFTA in late May of 1991. But there was a catch — these extraordinary powers would expire at the end of 24 months. Contrary to expectations, the pact was not sent to Congress within that time period. Thus, the "fast track" powers expired on June 1, 1993.

By this time it was clear the only way NAFTA would ever pass Congress would be under the limited-debate, no-filibuster, up-or-down vote restrictions imposed by "fast track." This was a problem to which there was only one answer — Congress had to pass another "fast track" bill. Rather than replay the bitter legislative fight of 1991, congressional allies of the Clinton Administration quietly slipped legislation into the one thousand page budget reconciliation package that was rushed to a House vote late in the evening on May 27, 1993. Not a word was said about "fast track" during the abbreviated debate on the budget bill. Days later, House members learned that while they were passing the budget bill they were also reauthorizing "fast track" status for NAFTA.

To prevent a similar stealth-like vote in the Senate, several anti-NAFTA senators forced a public debate and vote for the record. They lost 76 to 16. Congress extended President Clinton's "fast track" powers until December 15, 1993.

Not The Way To Negotiate

The question is, of course, how could U.S. negotiators be out smarted so badly? The answer is that Mexico was better focused, better staffed, and better organized. Its negotiators knew what they wanted and worked closely with Mexican business to get it.

Mexico had the edge in the negotiations from day one. Why? Because the Bush Administration wanted a deal done quickly so it could brag about it in the 1992 Presidential elections. The Bush administration was willing to make concessions to get any deal, and Mexico's negotiators knew it.

In contrast, the earlier trade agreement between the United States and Canada had taken almost four years to complete, despite the fact that Canada and the United States have almost equal income levels, possess similar institutions, and share a common heritage. Yet, President Bush instructed the U.S. negotiators to complete NAFTA in only 14 months — a much more complex deal with a country that is far less developed than the United States, possesses far different political and economic institutions, and does not share a common heritage.

The Advisers

Together, Mexico's corporations and government hired an army of Washington insiders to gather intelligence, provide negotiating advice, supply contacts, and lobby the U.S. negotiating team. These insiders included 33 former high-ranking federal officials — people who once represented the United States in similar negotiations, but who were now paid handsomely to represent a foreign government, Mexico, against their former employer, the American people. These 33 former U.S. government officials who now work as foreign lobbyists are identified in Appendix A.

Mexico's U.S. Advisers

Mexico's chief legal adviser in the NAFTA negotiations was a former Under Secretary of Trade at the U.S. Commerce Department. Mexico's principal trade adviser during the NAFTA negotiations used to be the United States Trade Advisor from 1981 to 1985 and is still widely known as the "father of NAFTA." Mexico's chief technical adviser had formerly been responsible for U.S.-Mexican trade at the Office of the United States Trade Representative during the late 1980s.

The U.S. team, on the other hand, was composed of bureaucrats from various federal agencies. The team leader, the United States Trade Representative, had served in both the Nixon and Ford Administrations, and in between this public service, had worked as a Washington lawyer and a foreign lobbyist for Canadian, Korean, and Japanese interests. The USTR's deputy, a former State Department official in the Nixon Administration, also had been a foreign lobbyist for U.S., Canadian, and Japanese interests in the 1980s.

Some of the bureaucrats on the U.S. negotiating team were experienced, but many were not. One participant reports that when the trade talks began not a single person in the U.S. Commerce Department's Office of Mexico spoke Spanish. He says that during one inter-agency session, only two of the 14 members of the U.S. negotiating team knew that key sectors of the Mexican economy, such as petroleum, had once been American-owned before they were nationalized by the Mexican government. He also reports that only five percent of the Mexican documents, such as copies of proposed regulations and administrative procedures, received by the U.S. negotiating team were ever translated for review.

The President's Advisers

Even though Congress gave up a large measure of its authority with the "fast track" authorization, it did not surrender complete control of the treaty negotiating process. Under the 1974 Trade Act, Congress directed the Office of the U.S. Trade Representative to seek advice and counsel from private advisory panels during any treaty negotiations, including NAFTA. For the most part, it never happened. The Bush White House, for instance, announced the completion of the agreement on August 12, 1992, but refused to give its own Labor Advisory Committee the text to review until September 8.

The 29 official U.S. trade advisory committees, involving more than 825 industry representatives, were created by Congress to ensure that U.S. goals and bargaining positions in trade talks, such as NAFTA, would be guided by advisers who represent the broad interests of the United States. *This balanced review did not occur during the NAFTA negotiations*. The advisory committees were dominated by companies and industries with a direct interest in an agreement that would protect and stimulate more U.S. investment in Mexico. *The deck was stacked against the American people.*

The most important of these advisory committees was the Advisory Committee on Trade Policy and Negotiations (ACTPN). Its 45 members were appointed by the president. None were confirmed by Congress. Each member of this Committee was required to have a security clearance. Each member was prohibited from sharing information outside the group. The ACTPN meetings were exempt from the sunshine provisions of the Federal Advisory Committee Act, which require that the public's business be conducted in public. The ACTPN recommendations were labeled "secret" and shared with only a handful of administration insiders.

Of the 45 members of the ACTPN panel, 38 were senior officers of major U.S. corporations, banks, and insurance companies, and four led trade associations. On the other hand, only two were union officials, and one was a business consultant. Of the 38 corporations represented, 27 had extensive business investments in Mexico. Today, these are the same companies that are leading the charge to get NAFTA approved by Congress. Is anyone surprised?

Behind Closed Doors

U.S. trade negotiators have a long tradition of trading away American jobs. To get Turkey to join the Persian gulf coalition against Iraq in 1990, for instance, the Bush Administration agreed to increase the quota of Turkish apparel, fabric, and yarn that could be exported from Turkey into the United States. What kind of negotiation is it when the United States agrees to pay Turkey to allow the United States to defend Turkey from a mad dictator? The Europeans just laughed when Turkey asked them for the same deal.

The deal with Turkey, though, is not unusual. In the 1970s, U.S. negotiators traded away big parts of high-wage industries such as steel, consumer electronics, and automobiles for foreign policy reasons. In the 1980s, U.S. negotiators were unwilling to defend American jobs from subsidized and predatory competition from Asia. In addition, European competitors pulled U.S. jobs from other high-paying industries such as aircraft, hi-tech electronics, and machine tools.

Remember, most of these trade deals are made behind closed doors. When trade agreements are released to the public, they often have what are known as "side letters," which are government-to-government deals that often counteract the public document. Many are kept secret forever, but all are binding.

In these closed negotiations, the U.S. negotiating team has the authority to put virtually anything on the table. It can, for instance, trade away jobs in U.S. agriculture to get strong provisions for U.S. investors. Trade treaty negotiations are much like a giant game of Monopoly, but played for real with U.S. industries, companies, and jobs. This happened in the NAFTA negotiations.

But more than just jobs were traded away. The U.S. negotiating team also accepted provisions that will ultimately lower U.S. health, safety, and environmental standards and regulations.

After the trade pact was completed, one of the U.S. negotiators explained to an audience of federal regulators that although changes in most domestic regulations normally require notice and public comment, secret trade negotiations (such as NAFTA) could alter these same regulations without need for notice and public comment. The negotiator said, "I have seen specific instances where USTR staff denied copies of U.S. negotiating positions which would require overturning Federal regulations from the staff of the agency issuing those regulations."

As the negotiations proceeded, the U.S. negotiating team was constantly lobbied by special interests to use NAFTA as a vehicle to weaken long-standing U.S. regulations. Chemical and food processing companies, for example, were able to get provisions into NAFTA that will lead to the import of food produced with pesticides that are outlawed in the United States. This was all done secretly, of course.

In a similar manner, the NAFTA negotiations played with the future of dozens of U.S. industries, particularly industries that were not represented on the advisory committees or did not hire well-connected, special-interest lobbyists. A typical example is what happened to the U.S. broom industry, which will disappear if Congress enacts NAFTA.

The broom industry is made up of small, family-owned companies that employ between ten and two hundred workers. Production is labor intensive, and therefore, the industry is particularly vulnerable to low-wage Mexican imports.

Early in the NAFTA negotiations, William Libman of the Libman Company, a leading U.S. manufacturer of brooms, was assured by U.S. trade officials that the industry would be granted the maximum protection — that is, a 15-year phase-out of tariffs.

Throughout the negotiations, the Libman Company and the other companies in the broom industry were assured that they would receive the 15-year phase-out so that they would have time to adjust. Nonetheless, Libman suggested to U.S. officials that the U.S. broom industry negotiate its portion of the agreement with its Mexican counterparts. But the U.S. Trade Representative prohibited industry-to-industry negotiations, saying that the deal would be made by the governments, not by the affected industries.

Toward the end of the negotiations, the U.S. trade negotiators contacted Libman and asked "whether or not the broom industry had contacted Mexican manufacturers to co-produce products in Mexico for distribution in the United States as other labor-intensive industries — such as ceramic tile, watches, and rubber footwear — had."

Libman was shocked to learn his own government was encouraging U.S. companies to move American jobs to Mexico. He told the U.S. negotiating team, "the industry had no intention of moving production to Mexico, and that the industry was dedicated to maintaining employment in the United States for the thousands of quality American craftsmen — many of whom are second- and third-generation broom makers."

Libman's problem was that the U.S. negotiators were, at best, amateurs, but they held the fate of his industry in their hands. The U.S. negotiators kept him and anyone else who had specific knowledge about the industry out of the negotiations.

Mexico operated differently, of course. Its negotiators in this area were guided by Mexico's leading broom manufacturer. During the final negotiations, the Mexican broom manufacturer came to Washington to advise the Mexican delegation on the type of provisions he would like to see in the agreement. The U.S.

negotiating team did not invite Libman or any other representative of his industry to participate in the negotiations.

The broom portion of the NAFTA deal was made behind closed doors by the U.S. negotiators, the Mexican negotiators, and the Mexican industrialist. The Mexican broom industry scored a major victory. *It will be permitted to export 1.2 million brooms duty-free into the United States.*

If NAFTA is enacted, U.S. broom factories will be forced out of business. More than one hundred small Midwestern communities will lose jobs. In many of these towns, the local broom factory is the major provider of jobs. Libman asks, "If their jobs move to Mexico, how will these skilled master broom makers, who have devoted the greater part of their lives to their craft, be retrained; what high paying jobs will they be retrained for; and where will these jobs be located?"

Unfortunately, the experience of the U.S. broom industry in the NAFTA negotiations is neither unique nor extreme. The inexperienced U.S. negotiators kept dozens of industries, such as trucking, and sugar, in the dark as Mexican industries were working hand in glove with Mexico's negotiators.

Keeping the U.S. Public in the Dark

What's worse, our trade negotiators refused to share the text of the agreement with the American people even after the deal was supposedly completed.

When President Bush announced on August 12, 1992 — just before the Republican Party's national convention — that NAFTA had been completed, the American public was given only a 44-page public relations handout instead of the text of the more than 1,100-page agreement.

When the agreement was initialed by the three government leaders on October 18, 1992 — two weeks before the U.S. presidential election — the American public was handed a short, marked-up version of the agreement.

When the agreement was officially signed on December 18, 1992, no additional information was provided to the American public.

The complete text of NAFTA was finally released to the American people on the afternoon of January 20, 1993.

The Government Printing Office now sells the two-volume document for $41. It is not a big seller. A private publisher has reprinted the book, and is selling it for $10. Only a handful of people outside of Washington know what is actually in the agreement, and working people whose jobs are being put at risk have had little information prior to this book.

The goal of all this secrecy, of course, is to keep the American people in the dark about NAFTA. Until recently, it has worked.

The Wall Street Journal
on
Mexico's NAFTA Lobbying Campaign in the United States

Mexico is bankrolling a nationwide campaign to sell the trade accord, and Mexico, to Americans. . . Mexico government and business interests have hired no fewer than 24 lobbying, public relations and law firms to negotiate and promote the trade pact. . . it has treated 76 congressional aides to Mexican junkets to meet with government and business leaders. Other Mexican lobbyists have arranged tours for lawmakers and U.S. business officials. . . . Indeed, no opportunity for influence seems too remote for Mexico's legion of lobbyists.

The Wall Street Journal, May 20, 1993

Chapter 3

American Jobs Matter

Only a tiny handful of working people are ever asked to testify before the U.S. Congress. Scarlett Bachman is one of those few. In April 1993, she appeared before the U.S. Senate to describe what happens to workers when a small town's principal employer moves to Mexico.

Scarlett and her husband live in a modest home in Dowagiac, Michigan. For 23 years, the 49-year-old wife, mother, and grandmother worked at the local Sundstrand Heat Transfer factory, which makes the copper tubing used in refrigeration and air conditioning units.

In the late 1980s, Sundstrand, a large aerospace conglomerate and government contractor headquartered in Rockford, Illinois, decided to boost corporate profits by shifting a portion of the work from its Dowagiac plant to a new, low-wage facility in Nuevo Laredo, Mexico.

When the Mexican plant fell behind on its production schedule, Scarlett and the remaining Dowagiac workers pitched in so the company wouldn't lose its customer orders. She told the Senate, "Hoping we could prove that we were still needed, our dedication to our lifetime jobs prevailed, but we only prolonged our devastation."

Within a few months, the Mexican plant met its production schedules as well as the company's quality standards. More work was shifted from the plant in Dowagiac where Scarlett worked to the plant in Mexico. Scarlett and the skeleton crew left in Dowagiac then had to clean up, crate, and load the equipment they used to operate for shipment to Mexican workers at the new plant in Mexico. The last big job Scarlett and her co-workers had was to send the tools of their trade to someone willing to do their work for a fraction of their pay. That's the American nightmare, not the American dream.

In 1990, Sundstrand reorganized itself and sold its heat transfer division to the Modine Manufacturing Company, a 75-year old Wisconsin corporation. Less than four months later, Scarlett, with 23 years of devoted service to the company, was laid off. She was making $10.37 per hour at the time. Her husband, who worked at Modine, was also laid off. The company gave them 60 days notice but no severance pay. Scarlett and her husband drew unemployment benefits for awhile, but payments on their monthly bills soon fell behind, and their savings were wiped out.

Scarlett went back to school at age 47. It was tough, she says, but she worked hard and made the Dean's List. After graduation, she got a job at the Lee Memorial Hospital making $5.88 per hour. Her husband also found a job, but it only pays $5.00 per hour, and he doesn't know how long the work will last. Together, the Bachman's pay is now only half what it was, and their benefits are only a quarter of what they had before their jobs were shipped to low-wage Mexican employees.

When Scarlett began working at the heat transfer factory in 1968, it employed more than 1,200 people. Now the American factory has less than 80 production workers.

Scarlett made the sacrifice and effort needed to acquire new skills in the hope of gradually restoring her family's standard of living. However, that is not what happened. About the only jobs available to her were ones that pay scarcely better than the minimum wage and have little or no potential for advancement. But Scarlett considers herself lucky because so many of her former co-workers still haven't found jobs. Their benefits have run out, many have lost their homes, some have lost their families, and most can't afford medical insurance.

Mexican workers now fill the jobs that were once in Dowagiac, Michigan. Modine Manufacturing Company refuses to reveal how much it pays its Mexican workers, but wages in Mexico are low.

Mexico's legal minimum wage is only 58 cents per hour. The Mexican state of Yucatan claims to have an abundance of workers available at $1.00 per hour, including all benefits. Even the best paying jobs in Mexico don't pay much more. For instance, the average hourly wage for manufacturing workers in Mexico is only $2.35 per hour, and that includes their pay for time worked, pay for holidays and vacations, bonuses, and any employer payments for insurance or mandated benefits. But most of the Mexican workers employed by U.S. companies in border factories, called maquiladoras, are paid an average of only $1.64 per hour, including all benefits. Thus, Scarlett whose pay was more than $10 per hour plus benefits, was pitted against a worker in Mexico whose pay was less than $2 per hour including all benefits.

Life is hard for low-paid Mexican workers in the maquiladora factories. They have very few, if any, work-related benefits. Their hours are long. Their houses are small, crowded, and often without indoor toilets or electricity. The roads and streets are unpaved. Often, all of their earnings go for feeding, clothing, and sheltering their families.

And what happened to Modine Manufacturing? In 1992, Modine Manufacturing had record sales and paid its investors a record dividend. The CEO was paid a salary of $292,000. He was also given a cash bonus of $175,000, restricted stock worth $273,000, and stock options worth another $36,000. The company also paid $21,000 into his corporate 401(k) and other retirement plans. The CEO of Modine Manufacturing Company received $797,000 in total compensation for 1992.

Ironically, Scarlett's government is actively encouraging U.S. companies, such as Sundstrand and Modine, to move manufacturing jobs such as hers into Mexico and other less-developed nations. Somehow, a succession of U.S. presidents and a majority in the United States Congress have failed to grasp the fact that manufacturing jobs such as Scarlett's are irreplaceable. Perhaps if they listened to the people who have first-hand experience, they would understand. When Scarlett testified in April 1993, only Carl Levin, the one Senator who sponsored her, was present for her testimony.

Manufacturing Matters

If for no other reason, manufacturing is vitally important for this reason: without the ability to manufacture, the United States cannot defend itself.

Manufacturing is important because it provides the greatest number of high-paying U.S. jobs. These are the types of jobs that U.S. workers need if they are to buy a house, build a retirement nest egg, and create a better future for themselves. It also matters because each one hundred manufacturing jobs creates, on average, another 421 support jobs.

Even the lowest paid U.S. manufacturing jobs create more secondary employment than the highest paid U.S. business service jobs. The Economic Policy Institute, a Washington research organization, reports that every one hundred manufacturing jobs in the:

- apparel industry creates 207 secondary jobs;
- textile industry creates 267 secondary jobs;
- iron and steel industry creates 368 secondary jobs;
- non-electrical machinery industry creates 289 secondary jobs;
- aerospace industry creates 388 secondary jobs; and
- automobile manufacturing creates 691 secondary jobs.

By contrast, one hundred retail jobs only create 94 secondary jobs. And one hundred business service jobs, such as banking or insurance, generate only 147 secondary jobs. Thus, hundreds of new service jobs must be created to offset the loss of even one hundred low-paying manufacturing jobs such as those in the apparel industry.

These job multipliers also work in reverse. When a community such as Dowagiac, Michigan loses 1,100 jobs, many of the 4,200 secondary jobs they support are lost somewhere else in the country.

Take a look at the graph on Page 30. It should come as no surprise that the percentage of manufacturing jobs in the United States has decreased over the past 25 years. In 1965, manufacturing provided 27 percent of all U.S. jobs. Today, it provides 17 percent. More people in the United States are now employed by federal, state, and local government than in all manufacturing.

By contrast, German and Japanese trade officials work to keep their manufacturing jobs at home. In 1965, manufacturing provided 36 percent of German jobs; today it's 32 percent. In 1965, 21 percent of Japanese jobs were in manufacturing; today, it's 25 percent.

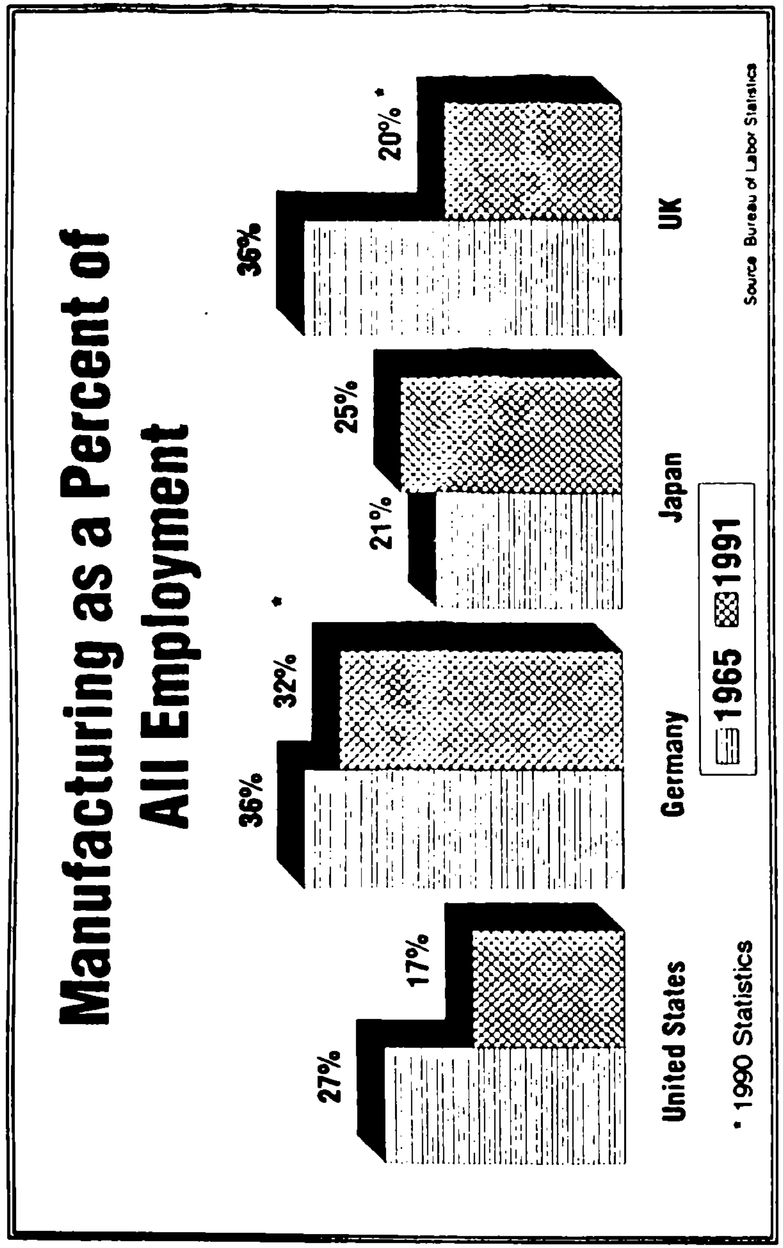
It is just plain wrong to think that "progress" as a nation requires shifting from a manufacturing economy to a service economy. The fact that so many of our leaders support this concept explains why incomes and living standards are rising in Germany and Japan while they are falling in the United States.

The Endangered Jobs List

NAFTA will accelerate the loss of manufacturing jobs in the United States. Some companies will move factories to Mexico to take advantage of low-cost Mexican labor. Others will move to Mexico to escape U.S. regulations. Many American companies will move to Mexico, not because they want to, but because their competitors have moved, and they must move to compete. Eventually, companies that choose to stay in the U.S. will need to reduce employee wages and benefits in order to lower prices to compete with cheaper Mexican imports. No product, no company, and no community is immune from the effects of NAFTA.

And which jobs are at risk?

Virtually all U.S. manufacturing jobs are ultimately vulnerable, but some jobs are in more immediate danger than others. A guide-



post for determining the Americans jobs that are at risk is provided by the shift in Mexican products exported to the United States.

A decade ago, roughly half of Mexico's exports to the United States consisted of minerals, fuels, and foodstuffs. Now they make up only 25 percent. Today, Mexican exports to the United States are dominated by the flow of high-profit electrical machinery, machinery parts, automobiles, automobile parts, trucks, televisions, radios, apparel, telecommunications equipment, and office machinery. Of these products, most come from U.S.-owned plants operating in Mexico under the Maquiladora Program. These U.S. companies still employ millions of American workers. These companies have demonstrated that they will close U.S. factories, fire American workers, and move their plants to Mexico. If NAFTA is enacted, there will be many new advantages and even fewer obstacles for U.S. companies to relocate more American jobs to Mexico.

On this endangered U.S. jobs list, the auto industry ranks close to the top. Mexican autoworkers make one-seventh the pay of their U.S. counterparts, and this includes any benefits provided to the Mexican workers. However, the health care costs for Mexican autoworkers is negligible. In U.S. auto plants, health care expenses exceed the cost of steel used to manufacture the automobiles.

Mexico provides automakers an easy escape hatch from the high costs of operating in the United States, and they are taking advantage of it. Remember, as shown on page 28, the U.S. auto industry creates more secondary American jobs than any other industry. The combined impact of losing the auto industry jobs and the secondary jobs would be enormous.

Five hundred thousand vehicles were manufactured in Mexico in 1988. More than one million will be produced there in 1993. Within seven years, automakers in Mexico will be producing more than three million units per year. This is one of the reasons why dozens of U.S. auto factories are closing and tens of thousands of American auto manufacturing and secondary jobs are disappearing.

The Endangered Place List

Different manufacturing industries in the United States tend to be concentrated in different parts of the country. When an industry suffers or loses jobs, specific areas of the country and the people who live there suffer the greatest financial strain.

The auto assembly and parts industries, for example, are heavily concentrated in the states of Michigan, Illinois, Wisconsin, Ohio, and Indiana. Not surprisingly, then, these states will lose disproportionately more auto and secondary industry jobs if the auto industry moves more of its factories to Mexico.

Local and state governments will lose revenue from property taxes, income taxes, and sales taxes. The lost revenue, combined with increased government expenditures for unemployment benefits and uninsured health care, drive the taxes up on the industries that remain and the workers who are still employed.

Similarly, almost 90 percent of the U.S. apparel and textile industries are concentrated in only eight states — New York, New Jersey, California, Texas, Tennessee, North Carolina, South Carolina, and Georgia. These are the states that have the most to lose if more apparel and textile jobs are moved out of the United States.

The biggest potential losers are the nation's largest urban areas. Millions of manufacturing jobs have already disappeared from our cities. According to the U.S. Commerce Department, between the 1970 census and 1990 census, 19 of the largest American cities lost more than 2.3 million manufacturing jobs. Since the 1990 census, these metropolitan areas have lost even more jobs.

Many of these urban manufacturing jobs have gone to Mexico. The University of Illinois at Chicago, for instance, has identified 67,088 jobs and 42 factories that moved from Illinois to Mexico between 1980 and 1990. More than 47,000 of those jobs came from the Chicago metropolitan area. The researchers say that the

actual job losses are much higher since they only counted those job relocations for which there is some public record.

Large-scale job losses are devastating U.S. cities. A job in manufacturing has long been a first step on the ladder out of urban poverty. Not surprisingly, the cities that lost these 2.3 million manufacturing jobs are the very same cities that have some of the highest urban unemployment, highest welfare, highest crime, and highest infant mortality rates.

How can Congress consider NAFTA, which will destroy urban jobs, at the same time that it is considering the Clinton Administration's urban empowerment program, which will try to create urban jobs by spending $800 million a year of taxpayers' money over the next five years to provide incentives for businesses to locate in urban areas?

The United States is swapping good manufacturing jobs for lower paying service jobs. For instance, the University of South Carolina reports that between 1978 and 1990 South Carolina lost more than 58,000 manufacturing jobs. At the same time, the biggest job gains in South Carolina were in restaurants, bars, and grocery stores — more than 72,000 service jobs were created in such establishments. It's a bad trade-off. *The lost manufacturing jobs paid an average of $279 per week. The replacement service jobs pay only $127 a week — less than half as much.* The result: the living standards of working men and women are declining, and America is becoming a nation of hamburger-flippers.

The Endangered People List

As NAFTA endangers some industries and places more than others; some American workers are more at risk than others.

Working men and women, recent immigrants, and urban dwellers are at great risk from NAFTA. For example, the sons and daughters of sharecroppers who moved north in the 1940s and 1950s to improve their lives can't get work because manufacturing jobs have gone to low-wage southern states, overseas, or to Mexico.

The loss of manufacturing jobs has the greatest impact on urban minorities. Half of all the manufacturing jobs that disappeared in Chicago during the 1980s were lost by minorities and women.

With the decline of U.S. manufacturing, the country is increasingly unable to provide good entry-level jobs for its youth. As a result, the earning power of young people has fallen over the past decade. In 1980, for instance, 18 percent of 18- to 24-year-old men earned less than $12,000 per year. In 1990, more than 40 percent earned less than $12,000 per year. And because of inflation, $12,000 in 1980 was worth far more than $12,000 in 1990.

During that same decade, young women, who started out in a worse position than their male peers, suffered similar losses in earnings. In 1980, more than 29 percent of 18- to 24-year-old women made less than $12,000. But by 1990, more than 48 percent had incomes of less than $12,000. No doubt about it, this country is not meeting its responsibility to provide the young people with job opportunities.

NAFTA puts at risk many of the very industries that can provide badly-needed jobs. The Texas Department of Commerce did a detailed analysis of the employment effects of NAFTA. They report that the Texas industries that will "lose" under this pact employ one-third more workers in the state than the projected "winners." The "loser" industries include fabricated metals, lumber and paper, primary metals, fresh fruits and vegetables, livestock, distribution services, transportation equipment, leather and leather products, apparels and textiles. These are industries that employ high numbers of semi-skilled workers.

The same pattern is found in New York City. The New York metropolitan area lost 725,000 manufacturing jobs over the past two decades. Many of the jobs that remain, such as the 60,000 in the apparel industry, pay less than $7.00 per hour. If NAFTA is ratified by Congress, these jobs will be at risk.

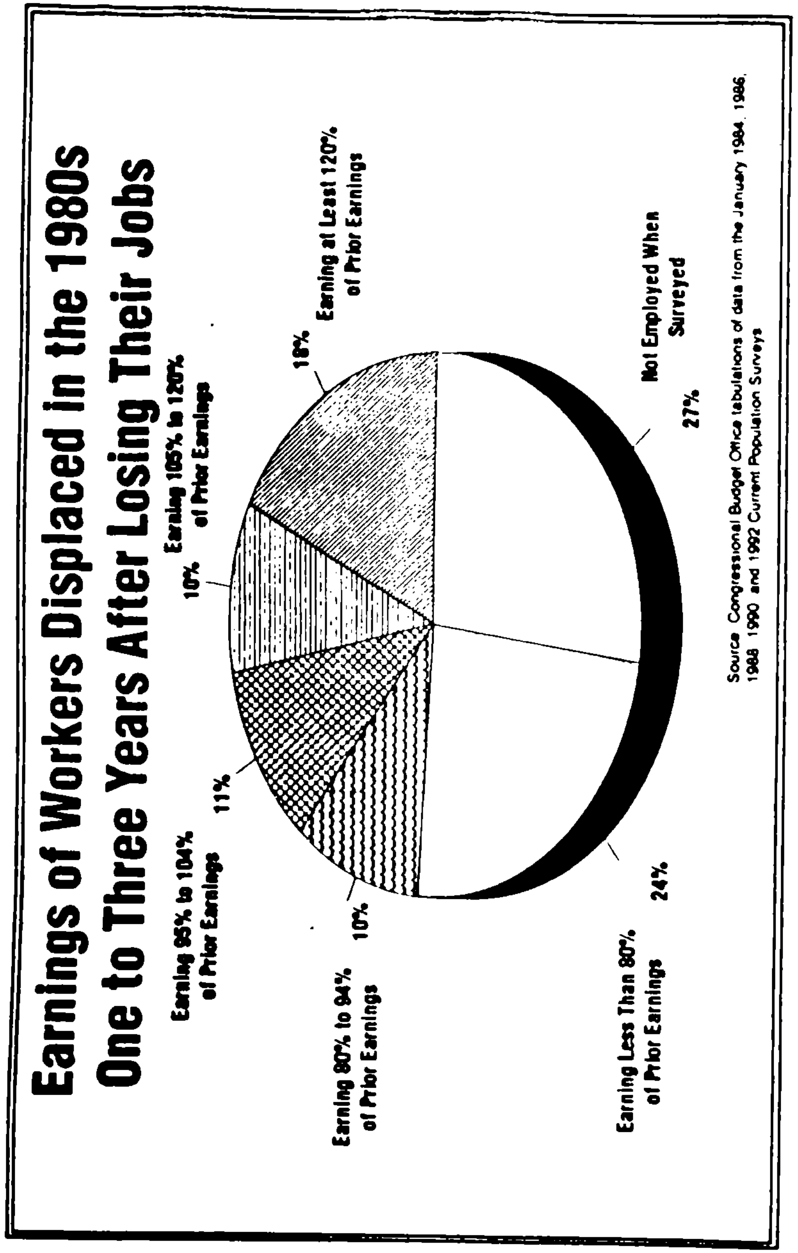
In study after study, the U.S. Department of Labor has found that displaced workers have an increasingly difficult time finding new jobs. The Labor Department reports that:

- The lower the skill of the displaced workers, the less likely they are to be reemployed *ever*.
- Blacks and Hispanics are less likely to find new jobs than whites.
- Women are less likely than men to find new jobs and more likely to drop out of the work force.

The Congressional Budget Office (CBO) reports that of every one hundred American workers who lost their jobs in the 1980s, that at least 61 had not reached the same standard of living they had before losing their job. The hard fact of life is that a majority of the American workers who will be thrown out of work if NAFTA is passed will have to take less pay and fewer benefits to get another job — and that's if they can find someone willing to hire them. See the chart on page 38 for more details.

Even the strongest NAFTA supporters now acknowledge that the agreement will cost U.S. jobs. NAFTA advocates argue the solution is for the federal government (i.e., the U.S. taxpayers) to provide more worker retraining for the unemployed (i.e., the former U.S. taxpayers). The unanswered question, of course, is for what type of job will U.S. workers be retrained? Nobody can articulate the "jobs of the future" for which American workers would be retrained. By definition, a job of the future may not even exist yet. Every day that a working American remains unemployed, it is a crushing defeat to the person, the family, the community, and the country. The impact of job loss and unemployment cannot be dealt with in an abstract manner.

Let's look at it another way. Job retraining for a displaced worker is unnecessary if the worker's job never leaves the United States in the first place.



An Endangered Nation

In her testimony to the U.S. Senate, Scarlett Bachman said that the whole community had suffered when most of the factory jobs from her town were moved to Mexico.

> The Warren Act required the company to send out a list 60 days before a person lost their job, she said, but that didn't mean that in 60 days you could pick up the pieces and go on with your life. Some people saw their names on this list four or more times before they actually lost their jobs. Many people who were once friends ended up bitter enemies. It was like throwing a raw bone to 50 dogs and see who was going to come out on top. Imagine 1,200 people employed in 1968 and now, 1993, only 75-80 left as factory workers.

This pitting of one employee against another to preserve their family income is being magnified thousands of times across the nation. As America loses its job base, destructive social divisions are forced on the nation — the elderly who depend on social security and government medical assistance are pitted against the young who must pay; minorities who lack jobs are pitted against majorities who are barely hanging on to theirs; a declining middle class versus a tiny minority who grow increasingly wealthy.

Again, the Illinois study reveals what is happening. Between 1977 and 1988, the 84 percent of the Illinois population that earned less than $50,000 annually had a loss in taxable, inflation-adjusted income of more than eight percent. The 16 percent of the Illinois population that earned more than $50,000 increased their inflation-adjusted income by more than 50 percent.

The solution, of course, is not to take away the wealth and opportunities for the 16 percent who prospered, but to assure the other 84 percent that they will have access to more and better jobs — such as the ones lost to other countries.

Viewed another way, the United States is now more than $4 trillion in debt. Every day, the national debt grows by another $1 billion. In 1992, just the interest cost on the federal debt was $199 billion. At the same time, the total payroll for all U.S. manufacturing jobs was $266 billion. At the current rate of the federal debt growth and manufacturing job losses, the annual interest on the federal debt will exceed the salaries paid to all U.S. manufacturing workers by the year 1996.

These federal deficits are irresponsible beyond imagination. Proposals such as NAFTA that would destroy the good jobs that produce the taxes that the country needs to pay its bills and build a sound future for American children.

Chapter 4

A Giant Sucking Sound

One million Mexicans enter the work force each year. They need jobs.

To get those jobs, President Salinas and his government have deliberately kept wages down to attract foreign investment. Mexico has vastly expanded its vocational training programs to improve worker skill levels. The Mexican government also offers low-cost loans and tax benefits to companies that build factories in Mexico.

Mexico's national development strategy is reminiscent of strategies used by Japan, Korea, and Taiwan a generation ago. Like the strategies used by those countries, Mexico's strategy depends on taking jobs from the United States.

Good Workers at Low Wages

Mexico has a three-fold attraction to U.S. companies: it provides good workers at low wages; its government is decidedly pro-business; and Mexico is located next to the largest and richest consumer market in the world — the United States.

For more than a year, the Mexican state of Yucatan has capitalized on these advantages by running an advertising campaign offering U.S. companies a plentiful supply of high-quality, loyal Mexican workers at $1 per hour, including benefits. The ad promises a worker turnover rate of less than five percent a year and a savings of over $15,000 a year per worker for every U.S. job moved to the Mexican state of Yucatan.

Look at the chart on page 43. The wage differential between the United States and Mexico could not be more obvious. The United States Department of Labor reports that, even when mandated non-wage benefits are counted, manufacturing labor costs in Mexico are only 15 percent of those found in the United States — $2.35 per hour versus $16.17. What's more, despite all the supposed prosperity in Mexico during the last 12 years, the Mexican workers' standard of living has remained stagnant. The same low wages that are being used by the Mexican government to lure businesses are at the same time exploiting the majority of Mexican workers.

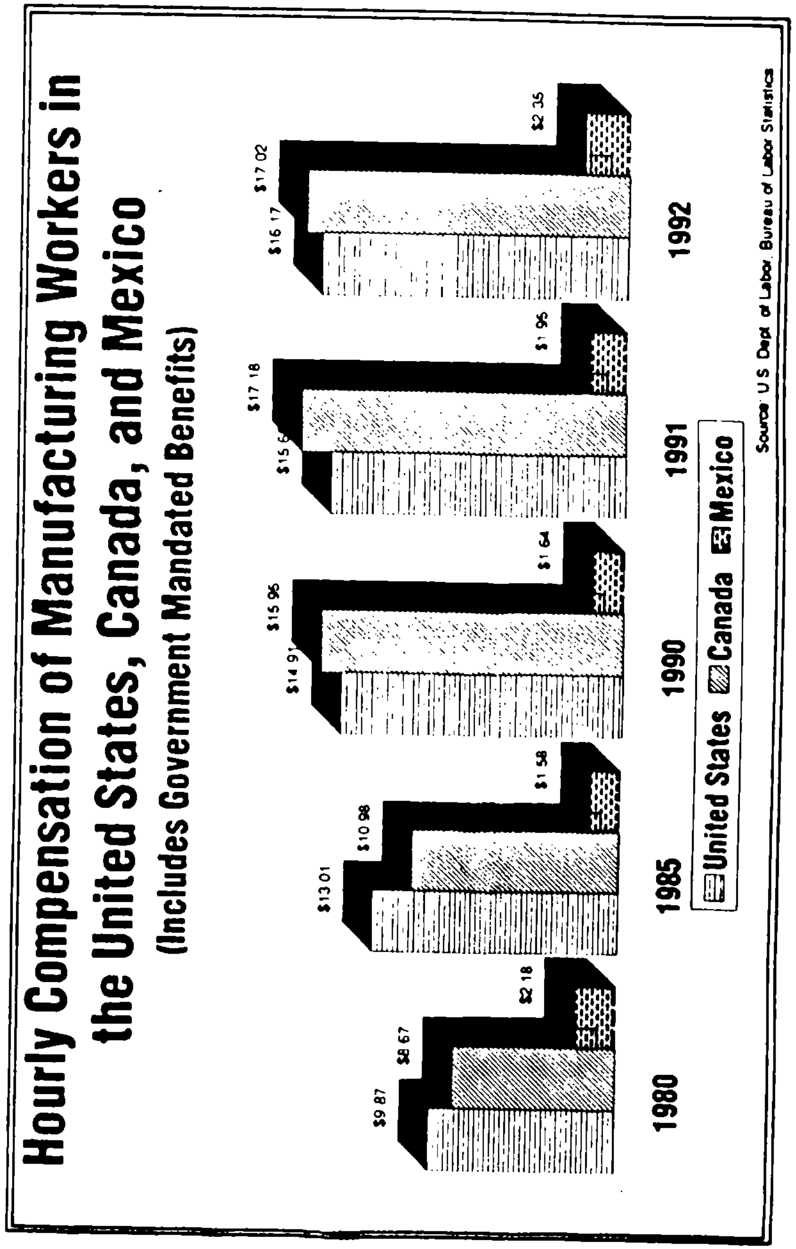
The *New York Times* reports that the skills of Mexican workers already match the skills of 70 percent of the labor force in the United States. Once properly trained, Mexican workers' productivity and work quality equals that of anyone, anywhere in the world.

The experiences of U.S., Japanese, and German automakers illustrate just how good the Mexican workers can be. Ford, GM, Chrysler, and Nissan now operate high-volume engine plants in Mexico. Last year, they exported more than 1.2 million engines, making Mexico the largest engine exporter in the world.

In a Congressional study released in June 1993, auto expert Harley Shaiken compared the productivity and quality of work in Mexican plants with their counterparts in the United States and elsewhere. He found that Mexican workers in one engine plant reached 85 percent of the productivity of their U.S. counterpart plant within two years; 89 percent within eight years; and 97 percent within nine years. This is impressive by any measure.

Even more impressive, the product quality in the Mexican plant surpassed that of the counterpart U.S. plant in four of the six years for which they had data. In 1991, the quality in the Mexican plant exceeded the U.S. facility by 32 percent.

The eye opener is that the U.S. and Mexican plants had similar equipment, but the technology in the Mexican facility was more advanced. The message is simple: Mexican workers can master



high technology and deliver the goods when given a chance. No one should be surprised to learn that the Mexican plant is now being expanded.

Nissan reports that its engine plant in Aguascalientes, Mexico is now producing the fewest number of defects per engine of any of the company's worldwide plants.

Only three years after Ford Motor Company opened its auto assembly plant in Hermosillo, Mexico, its cars were virtually equal in quality to the Honda Civic, the highest quality small car sold in the United States. Shaiken reports that the quality of the vehicles assembled in Ford's Mexican factory was superior to the highly-regarded Nissan Sentra and Toyota Corolla made in Japan by experienced Japanese autoworkers.

High quality work by Mexican workers is not limited to automaking. Sanyo reports that its Mexican plants are as productive and its products as defect-free as any of its U.S. or Japanese factories. Sony's plant in Tijuana, Mexico has won worldwide quality awards for the company.

Despite their accomplishments, Mexican workers are paid low wages. Unlike the middle-class U.S. family displaced by these low wage jobs, the majority of the work force in Mexico — the lower class — has little hope of greatly improving its standard of living. The standard factory earnings in the Mexican state of Chihuahua, for instance, are $1 per hour. In very modern Mexican factories, such as the Ford, GM, Chrysler, Volkswagen, and Nissan plants, production workers start at only $1.25 to $1.50 per hour. When benefits are included, the average total compensation in 1992 for Mexican autoworkers was $3.33 per hour — one-seventh the $24.21 per hour that was paid their U.S. counterparts.

There are a number of reasons for the vast wage gap. One of the primary reasons is that since 1987, Mexico has fixed wages through a complex government-business-labor arrangement. The goal: hold inflation down and keep Mexico attractive to foreign investors. As a result of this arrangement, known as *el pacto*, Mexican wages have not kept pace with inflation. In terms of

absolute purchasing power, Mexican workers are now making less than half of what they made a decade ago, according to The Economic Policy Institute, a Washington, D.C.-based research organization. Mexico's real wages have gone down despite the fact that they are producing superior products in some of the most advanced factories of the world's largest companies.

Of course, manufacturing companies look for more than just cheap labor when deciding upon a location for a new plant. They must consider access to transportation facilities, reliability of power systems, proximity to their suppliers, and political stability. No one seriously contends that Mexico is superior to the United States in any of these categories. Yet, even after factoring in these components, Mexico still wins a large percentage of plant relocations. Why? Cheap labor can offset all of the areas where Mexico is still deficient. Although Mexico is deficient in certain categories right now, there is no reason to believe that it will remain deficient in these areas in the future.

The CEO of Zenith recently told the *New York Times*, "When I factor in other non-labor costs — less heat, cheaper land and cheaper construction — there is no question that Mexico's lower labor costs are decisive." Over the past decade and a half, Zenith has moved thousands of jobs from the United States to Mexico.

In theory, Mexican unions could stop the exploitation of the workers they represent. Certainly, the Mexican Constitution gives workers the right to organize their own unions and the right to strike. The catch is this: unions must be certified by the Mexican government. The government only recognizes unions affiliated with the Institutional Revolutionary Party (PRI), which has governed Mexico under one-party rule for more than 60 years. Unions that are not registered with the government cannot exist, and if a union is created and strikes, the Minister of Labor for the government will probably send in the police and army to restore order.

If Mexican workers protest these strike-breaking tactics, they can expect swift and severe retaliation. In the summer of 1992, for example, the Mexican government upheld the firing of more than 14,000 workers who had turned down a contract negotiated by the government-dominated union. The government and the company allowed most of the fired employees to slink back to work at company-set wages; some employees were forbidden from ever returning.

Yet, these workers were far luckier than the Mexican workers who struck against Ford Motor Company in 1987. In a bitter two-month strike, Ford tore up its union contract, fired 3,400 workers, and cut wages by 45 percent. When workers rallied around their union leaders, gunmen from the official government-sanctioned union went into the plant and randomly shot people. Then, more than one thousand state police came into the plant to restore order and enforce the company-dictated union contract.

Mexican workers got the message. So too did foreign companies — the Mexican government will keep pay low and workers in line. With Mexican wages kept artificially low, how can the United States expect Mexicans to buy high-priced, American products? How much can 36 wealthy Mexican families be expected to buy?

Low wages and tame unions are only part of what attracts factories to Mexico. Foreign companies operating in Mexico under NAFTA, for instance, have unimpeded access to the rich U.S. consumer market. Not surprisingly, President Salinas constantly emphasizes this access to the U.S. market as a selling point to European and Asian companies. To sweeten the deal for foreign investors, Mexico provides financing for these foreign investors. In 1992, for instance, the Mexican government's import-export banks signed an agreement to sponsor Chinese investment in Mexico. This will allow Chinese textile and apparel companies to secure an exemption from U.S. quotas and duties. Duty-free access to the U.S. market is a very attractive business proposition. This roundabout entry into the U.S. market couldn't be more blatant. After all, why would China, with two billion people, invest in Mexico? To sell to Mexicans? No. The rich markets of the U.S. and Canada are the real prize.

A move to Mexico also allows companies to avoid paying benefits and mandated U.S. payroll taxes. The arithmetic tells the story: benefits and mandates now increase U.S. labor costs by more than 28 percent. Viewed another way, top quality Mexican workers can be hired for less per hour than just the cost of mandated taxes on U.S. pay alone.

Mexico keeps its wages low, of course, to attract foreign investment. This strategy has worked. *Business Week* reports that since 1988 Mexico has attracted more than $26 billion of foreign investment, much of which went to finance new plants and upgrade existing ones. In the process, more than two million Mexican jobs have been created, while hundreds of thousands of U.S. manufacturing jobs have quietly disappeared.

Many of these Mexican jobs were once held by U.S. workers. While the U.S. government refuses to collect data on factory or job relocations to Mexico, private researchers have been able to identify hundreds of U.S. plants that were moved to Mexico in the late 1980s and early 1990s. Their U.S. companies include AT&T, Allied Signal, Cooper Industries, General Electric, Mallinckrodt Medical, Quaker Oats, Unisys, United Technologies, and Westinghouse, among many others.

Besides low wages, another attraction for companies to relocate to Mexico is the loose enforcement of its health, safety, and environmental standards. Mexico provides U.S. companies an escape hatch from increasingly expensive U.S. regulations. For instance, the U.S. General Accounting Office reported to Congress in 1992 that the Mexican government has neither the staff, funds, nor systems it needs to identify the new companies locating there, let alone monitor and enforce its environmental laws. A survey of six U.S. plants operating in Mexico found that all the plants were operating without required environmental licenses. This lack of government enforcement is neither unique nor extreme in Mexico.

The futility of the NAFTA side agreements is obvious: Mexico already has laws it does not enforce. Why should new environmental regulations assure future compliance?

In addition to the U.S. companies that are relocating some of their facilities to Mexico, many of the foreign plants so eagerly recruited by U.S. communities over the past two decades are now choosing to locate in Mexico. Among them are factories owned by Thomson, Goldstar, Phillips, and Sanyo. It seems that companies from other countries are just as attracted to Mexico's low wages as U.S. companies are, providing they can ship goods to the U.S. market.

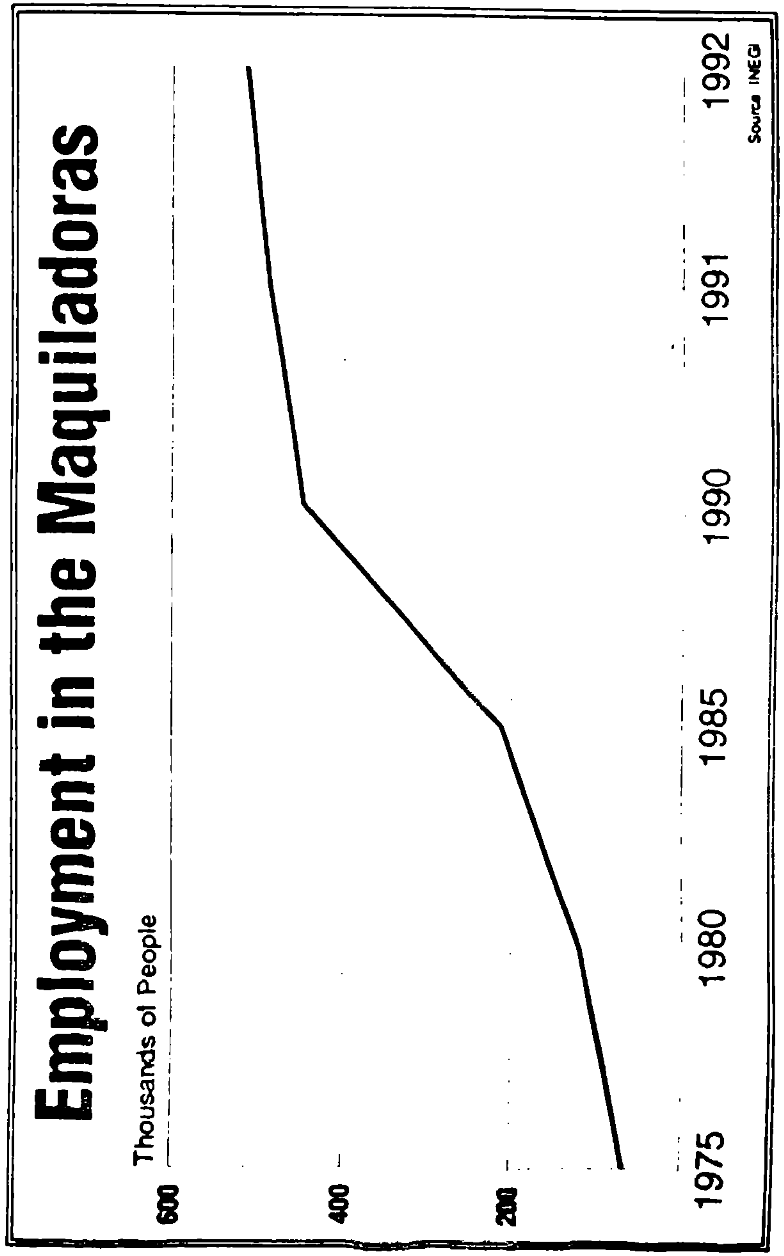
Most of these U.S. and foreign companies already in Mexico are operating under Mexico's Maquiladora Program, which allows Mexican and foreign investors to own one hundred percent of factories if the factories are located in designated parts of Mexico and if they manufacture mainly for export. Not surprisingly, the finished and semi-finished goods made in these factories are exported primarily to the United States. The Mexican government charges no duty on the imported machinery, raw materials, or components used in these facilities. The Mexican government closely watches the finished products to ensure that they *do not* enter the Mexican market, where they might compete with similar goods produced by Mexican companies.

To encourage U.S. companies to operate in Mexico, the U.S. government subsidizes companies in Mexico that ship products to the U.S. by removing import fees (taxes). These factories are known as "maquiladoras."

Hundreds of U.S. companies have quietly shifted jobs and factories into Mexico. The numbers tell the story:

- In 1980, Mexico had 620 maquiladora plants employing 119,550 workers.
- By 1991, there were 1,925 maquiladoras employing 467,000 workers.
- Today, there are more than 2,200 maquiladoras factories employing more than 500,000 Mexicans.

The chart on page 49 shows the explosive growth of employment in the maquiladoras during the last 17 years. At this growth rate, production in such Mexican factories will expand 400 per-



cent by the end of the 1990s. And Mexico has enough workers to meet the demand — remember, more than one million new workers enter the Mexican work force each year.

U.S. multinational corporations created almost as many new manufacturing jobs in Mexico under the Maquiladora Program between 1986 and 1990 as they created in the United States — 92,000 jobs versus 97,000 jobs.

Most of the goods produced in Mexico by these new manufacturing jobs are shipped into the U.S. market. Consequently, most of the so-called trade between the United States and Mexico is not trade as trade is commonly understood. Rather, it is primarily U.S. companies shipping their own machinery, components, and raw materials across the border into their Mexican factories and then shipping their finished or semi-finished goods back over the border into the United States.

Again, the numbers tell the story: In 1992, almost a third of all U.S. exports to Mexico went directly into maquilidora factories whose products were either shipped back into the United States or to markets outside of Mexico. Altogether, more than half of the U.S. "exports" to Mexico never entered Mexico's domestic market. More than 30 percent of the U.S. exports to Mexico were tools and machines used to build more Mexican factories, mostly U.S. owned and mostly maquiladoras. Finally, less than $8 billion of the $40.6 billion of U.S. exports to Mexico in 1992 actually entered Mexico's consumer market.

The point of all these numbers is this: Mexico is a small consumer market, largely because its per capita income is less than $2,500 per year. But it is a large and growing manufacturing platform for companies that want cheap labor and easy access to the U.S. market.

As if the United States government were not doing enough to help move American jobs to Mexico, a growing army of so-called "facilitators" has sprung up to lend a hand. Now you might think this is a group composed of the chambers of commerce from various Mexican cities. Unfortunately, the group is American,

including many lawyers, real estate promoters, and investment bankers — the same bunch that was in the middle of the S&L bailout and leveraged buy-out excesses of the 1980s. The name of their game is to find a U.S. company that is considering a relocation to Mexico. For a fee, the facilitator will maneuver a client company through the official and unofficial channels required to set up a business in Mexico.

In June 1993, several of these facilitators were featured at a Washington, D.C. meeting of the National Association of Corporate Real Estate Executives, an organization of more than 2,000 corporate officials who select factory sites for their companies. In workshops and presentations before hundreds of these executives, the facilitators extolled the many advantages of moving their company to Mexico. *The facilitators' two big selling points were low wages and passive unions.*

Another member of the facilitators fraternity is the American Industry Relocation Services, Inc. This organization publishes a worksheet that can be used to calculate the approximate labor savings for a U.S.-based company that relocates to Mexico. The worksheet states, "you can subsutute your own labor & fringe costs, plus total number of employees to arrive at your actual savings." The sample worksheet shows a U.S. company with labor and fringe costs of $15.00 per hour. It shows labor and fringe costs of $1.00 per hour for a Mexican relocation. The worksheet concludes, "Bottom Line: Labor costs in Mexico average about $1.00 U.S. per hour. If you operate a labor intensive manufacturing facility, you will increase your profits by relocating to Mexico."

One facilitator told the Washington *Post* that, "Hourly labor costs are one-tenth that of the United States. There it's $1 to $1.50 an hour, and that's a fully loaded rate." The *Post* also quoted other facilitators as saying, "Not only are wages in Mexico low, but workers are unlikely to organize there to demand better pay, in contrast to workers in eastern European countries who expect a comparable living standard to western, industrialized nations."

Earlier in 1993, the National Association of Corporate Real Estate Executives, in a survey of its members, found that one hundred large U.S. companies plan to expand or relocate operations in Mexico within the next 24 months. These results are similar to the results of a poll done by *The Wall Street Journal* in late 1992, in which 182 of the top U.S. executives said that their companies were leaning toward investing in Mexico in the near future.

The Mexican Buyout

The flow of U.S. companies voluntarily moving factories to Mexico under the Maquiladora Program threatens to become a flood under NAFTA. Well-financed investors are beginning to buy established U.S. companies and move them south to take advantage of Mexico's low wages. The technique is simple: the investors buy marginally profitable U.S. manufacturing companies that are labor intensive, move the factories to Mexico, fill the jobs with low-wage Mexican workers, boost corporate earnings, and then sell the companies at big profits. This "Mexican Buyout" promises to do even more harm to the U.S. economy and American workers in the 1990s than leveraged buyouts (LBOs) did in the 1980s.

An illustration of this strategy is the prospectus of the AmeriMex Maquiladora Fund, a financial group controlled by U.S. and Mexican investors and initially backed by Nafinsa, Mexico's largest national development bank.

According to the AmeriMex prospectus:

> The Fund will purchase established domestic United States companies suitable for maquiladora acquisitions, wherein a portion or all of the manufacturing operations will be relocated to Mexico to take advantage of the cost of labor.
>
> The Fund will seek to acquire companies where labor is a significant component of a company's cost of goods sold. It is anticipated that within six to 18 months after a company has been acquired by the Fund, the designated portion of

> the company's manufacturing operations will be relocated to Mexico to take advantage of reduced labor costs.
>
> We anticipate that manufacturing companies that experience fully loaded, gross labor costs in the $7-$10 per hour range in the U.S. may be able to utilize labor in a Mexico maquiladora at fully loaded, gross labor cost of $1.15-$1.50 per hour. Though each situation may vary, it is estimated that this could translate into annual savings of $10,000-$17,000 per employee involved in the relocated manufacturing operations.
>
> It is anticipated that most investments will be retained for three to eight years, but some investments may be realized earlier or later.

These AmeriMex-type buyouts can be enormously profitable. Under the AmeriMex estimates, investors can save $10 million to $17 million per year for every one thousand manufacturing jobs that they shift to Mexico. One year's savings alone would fully finance severance payments to the fired American workers, the training of the Mexican workers, and the construction of the new Mexican factory.

The most profitable aspect of these deals, of course, is the potential "earnings multiple." Low-wage Mexican labor translates into even bigger profits for investors when the company is sold. The reason is that manufacturing companies are typically worth at least five to ten times their annual earnings. Thus, a $10 million to $17 million boost in annual profits will increase a company's value by $50 million to $170 million.

Which U.S. companies are most at risk for a Mexican buyout? Companies with moderate to good growth, low- to mid-technology operations, and a labor component of 20 percent or more of the cost of goods sold.

Today, 75 U.S. manufacturing industries fit these criteria. They employ more than 5.9 million U.S. production workers. Their payrolls to U.S. workers exceed $138 billion a year. The tables on pages 56 and 57 indicate the jobs at risk on a state-by-state basis using the above criteria. Not all these jobs will be lost — but all will be vulnerable if NAFTA is ratified by Congress.

Making Mexico Investor-Safe

Many U.S. companies have already located or expanded their operations in Mexico primarily under the U.S. taxpayer-subsidized Maquiladora Program. For them, the vagaries of Mexico's judicial and political system are not an obstacle to investment. Other investors, however, have doubts about the political stability of Mexico and their continued right to do business there and, therefore, remain on the fence. NAFTA is designed to calm their fears. Its principal goal is to assure foreign investors that their capital investments and plants will be safeguarded in Mexico.

One NAFTA provision assures investors that if either their plants or capital investment is nationalized or expropriated by the Mexican government, the investors will get a quick reimbursement at market rates. For many U.S. investors who have a knowledge of Mexico's long history of nationalizing foreign companies, this is a vital protection.

NAFTA also guarantees foreign investors and companies that they can take their profits, dividends, and capital gains out of Mexico. In addition, NAFTA guarantees the convertibility of pesos at market rates.

Another NAFTA provision gives foreign investors and companies in Mexico the same protection for their intellectual properties — patents, copyrights, and trademarks — that they now have in the United States. NAFTA discourages counterfeiting and theft of intellectual properties, while simultaneously encouraging foreign companies to shift their best, most advanced technologies into Mexico.

Most important, NAFTA creates a dispute settlement mechanism that is out of the hands of the Mexican court system. It works through binding arbitration undertaken by trinational panels of experts.

As a final assurance to skittish investors, all of these new protections are locked up in an international agreement that is beyond the reach of Mexican, Canadian, and U.S. politicians.

Thus, NAFTA makes Mexico investor friendly — a place where U.S. companies can operate under lax government regulations and with high-quality, low-wage workers kept in line by a tough Mexican government.

For both investors and companies, NAFTA is a terrific deal. But at a price — the loss of millions of jobs that the United States sorely needs. Middle-class American careers and standards of living are sacrificed and Mexican workers are exploited — all in the name of increasing profits.

AMERICAN MANUFACTURING JOBS AT RISK BY STATE -- Using AmeriMex Criteria

State	Total Manufacturing Employment	Fit AmeriMex Relocation Criteria	Annual Mfg Payroll ($ in Millions)
United States	18,061,900	5,988,200	$138,563
Alabama	363,300	120,000	2,359
Arizona	173,500	35,800	811
Arkansas	220,200	15,900	282
California	1,961,800	747,600	17,495
Colorado	176,200	35,500	917
Connecticut	338,600	101,200	2,679
Delaware	62,400	3,000	83
Florida	473,100	164,500	3113
Georgia	545,100	69,000	1,341
Idaho	60,500	8,700	189
Illinois	976,100	305,900	7,585
Indiana	594,100	177,700	4,583
Iowa	224,000	396,800	927
Kansas	187,000	61,900	1,446
Kentucky	272,900	85,400	1,828
Louisiana	174,800	38,100	972
Maine	97,800	42,000	937
Maryland	200,600	42,000	1,079
Massachusetts	489,700	144,800	3,559
Michigan	858,200	239,500	7,458
Minnesota	384,500	103,300	2,401
Mississippi	237,200	88,000	1,499
Missouri	401,400	88,600	1,977
Montana	19,800	6,800	160
Nebraska	100,500	25,600	514
Nevada	25,600	5,200	105
New Hampshire	85,800	42,100	995
New Jersey	590,900	173,800	4,247
New Mexico	40,700	9,300	182
New York	1,054,000	265,900	6,195

AMERICAN MANUFACTURING JOBS AT RISK BY STATE -- Using AmeriMex Criteria

State	Total Manufacturing Employment	Fit AmeriMex Relocation Criteria	Annual Mfg Payroll ($ in Millions)
North Carolina	801,900	180,000	3,317
North Dakota	17,200	N/A	N/A
Ohio	1,045,400	323,900	28,776
Oklahoma	168,600	51,200	1,165
Oregon	208,400	47,800	1,094
Pennsylvania	962,000	349,500	8,120
Rhode Island	94,600	32,500	613
South Carolina	352,600	70,700	1,395
South Dakota	30,300	6,000	104
Tennessee	493,000	172,100	3,404
Texas	922,700	226,200	5,312
Utah	101,800	22,800	462
Vermont	42,800	18,400	400
Virginia	408,400	94,900	2,006
Washington	353,800	49,400	1,261
West Virginia	78,100	12,000	297
Wisconsin	533,000	178,000	4,206
Wyoming	9,800	1,700	40

ington lobbying, grassroots lobbying, coalition building, public relations, media strategies, economic consulting, management consulting, political fund raising, issues monitoring, and event planning. In addition, other firms offer media production, direct mail, political consulting, and opinion polling."

In short, Washington is a political bazaar where foreign interests can buy virtually everything they need to alter the actions of the U.S. government to suit their needs

What is especially troubling about foreign lobbying is not just that it is so widespread and completely legal, but that the United Nations is using U.S. taxpayers' money to teach the rest of the world how to take advantage of the American people.

Mexico Comes to Washington

In June 1990, President Bush and President Salinas agreed to negotiate a trade and investment agreement. Two months later, the Mexican government sent Herminio Blanco, its chief trade negotiator, to Washington to do what he called "lobbyist shopping."

Blanco came to Washington with an open checkbook, and he did not go home empty-handed. In a ground-breaking study of foreign lobbying, the Center for Public Integrity reports that among the foreign agents he hired are 33 former high-ranking officials of the U.S. government (see Appendix A). Some examples are:

- Robert Herzstein, a former U.S. Under Secretary of Commerce for International Trade, is now Mexico's lead U.S. legal counsel for NAFTA. Also, the Center for Public Integrity reports that Mexico paid his law firm $5.2 million between August 1991 and January 1993.
- William Brock, the former United States Trade Representative (USTR), is now Mexico's principal U.S. trade and political advisor on NAFTA. While serving as USTR in 1982, he initiated discussions with Mexico about a trade and investment

agreement. Later, Mexico paid Brock's firm $191,000 between January 1991 and December 1992.
- Timothy Bennett, the former deputy assistant USTR for Mexico, is now the Mexican negotiating team's technical advisor. Mexico paid his firm $223,000 between August 1991 and December 1992.
- Charls Walker, a former Deputy Secretary of the Treasury, now collects political intelligence from the U.S. Congress on behalf of Mexico. In addition, he is lobbying the new Members of Congress elected in 1992 to support NAFTA. For his services, Mexico paid Walker's firm $727,000 between July 1991 and December 1992.
- Joseph O'Neill is now a key lobbyist for Mexico. O'Neill is the former assistant to the Senate Finance Committee that oversees all trade legislation. O'Neill is now charged by Mexico with the task of getting Congress to ratify NAFTA. Mexico paid O'Neill's firm $455,000 between June 1991 and October 1992.

In addition to its foreign lobbying effort, Mexico has mounted a massive public relations campaign inside the United States to sell NAFTA. Since the beginning of the NAFTA negotiations in 1991, Mexico has paid one public relations firm more than $5.4 million. It has paid another more than $250,000.

Mexico has also hired many prominent Hispanic-Americans to be its NAFTA spokespersons. One spokesperson, Toney Anaya, formerly served as Governor of New Mexico. Another, Gabriel Guerra-Mondragon, served as a top aide to the U.S. Ambassador to Mexico, and, more recently, as a member of the Clinton Presidential Transition Team. A third spokesman, Edward Hidalgo, was once Secretary of the Navy. Their job now is to convince their fellow Americans — especially Hispanic-Americans — that NAFTA will benefit them.

The Center estimates that Mexico will spend more than $30 million on its NAFTA campaign. The Center also notes that this $30 million is probably a low estimate because it is based only on lobbying expenditures that have to be reported under the federal government's Foreign Agents Registration Act. This law is riddled with loopholes. Other experts on lobbying believe that the $30 million estimate is less than half the amount that Mexico will actually spend to attempt to get the United States Congress to ratify NAFTA.

Mexico's political campaign in Washington is extraordinarily well organized. Early on, the Mexican government established a separate NAFTA office in Washington and put a skilled Mexican businessman in charge. He and the Mexican ambassador tightly control their army of Washington insiders.

To help in this process, Mexico has staffed its Washington, D.C. NAFTA office with enough people to monitor every phase of their lobbying campaign. One staffer coordinates Mexico's lobbying efforts with the U.S. corporations that are also advocating passage of NAFTA. Another Mexican official closely monitors the position of each Member of Congress on NAFTA. This allows Mexico to concentrate its lobbying on the Members who are still undecided about how to vote on the agreement.

Another Mexican official manages the "Hispanic outreach" program in the United States. As a measure of Mexico's thoroughness, it also has an official assigned to coordinate the lobbying of U.S. environmental groups.

In addition to managing its Washington team, Mexico's NAFTA office arranges for Mexican officials to visit prestigious forums throughout the United States. Over the past two years, the President of Mexico and his cabinet have spoken before dozens of U.S. audiences. The Mexican message is always the same: American workers have nothing to fear from NAFTA.

The Mexican lobbying coordinators meet with their top Washington agents at least once a week. At these meetings, Mexico's "Team NAFTA" shares information and coordinates its efforts to persuade Congress.

Mexico is aided by many prominent and well-connected Americans who have financial interests in Mexico. These influential Americans contact newspaper publishers, editorial writers, and reporters. Again, the message is the same: NAFTA is good for the United States. To help the influential Americans working on behalf of Mexico keep their message consistent, Mexico's U.S. public relations team distributes talking points about NAFTA and stands ready to write articles that can be signed and submitted for publication by the influential Americans.

Mexico has left nothing to chance in their campaign to convince the U.S. Congress to ratify NAFTA. Mexico has hired a well-known former senate aide to escort key congressional staff members to Mexico, all expenses paid by the Mexican government. Since Mexico began its campaign to persuade the U.S. Congress to ratify NAFTA, more than 76 senior congressional staffers have taken all-expense paid trips to Mexico where they are wined, dined, and lobbied. Mexico knows that individual members of Congress will depend on the advice of their aides about how to vote on the ratification of NAFTA.

Mexico is a good neighbor and a friend of the United States, but the U.S. should not be subjected to foreign political campaigns and foreign lobbying. Former public officials should be prohibited from cashing in on their public service, as so many are doing in this NAFTA campaign. Finally, if it is absolutely necessary for U.S. public officials — whether appointed, elected, or staff — to travel anywhere on government business, the complete tab should be paid by the U.S. Government. U.S. public officials should never be beholden to anyone, particularly not to foreign interests.

Big Business Wants NAFTA

Multinational corporations have had their eye on Mexico for years — not as a market of any real consequence, but as a locale for an unlimited supply of cheap, high-quality labor with weak unions and a sympathetic central government. Until recently, the principal obstacle to this corporate dream has been Mexico's fierce resentment of both the United States and the multinational corporations.

For more than a decade, these companies and many public opinion makers have quietly, but persistently, worked on the idea of integrating the U.S. and Mexican economies. They have done studies, persuaded Mexican officials to sign "framework" investment agreements, conducted conferences, written editorials, and done all of the things that shape public opinion and debate. NAFTA is the culminating event.

U.S. corporations are spending as much as the Mexican government to persuade Congress to ratify NAFTA. These expenditures are far less visible than Mexican expenditures, however, because domestic companies are not required to report nearly as much information about their lobbying efforts as are foreign interests. However, the enormity of this effort is apparent.

The U.S. corporate lobbying campaign to ratify NAFTA is led by a newly-formed lobbying group called USA*NAFTA. It has more than one thousand members, but the group's money comes from fewer than one hundred of those members. The CEOs of many of USA*NAFTA companies served as advisers to the U.S. negotiating team during the NAFTA negotiations. Most of the USA*NAFTA companies will profit greatly if Congress ratifies NAFTA.

USA*NAFTA has publicly stated that it is raising $2 million to spend on pro-NAFTA lobbying. This, too, is the tip of a larger political iceberg. Most of the sponsoring companies also maintain full-time lobbying offices in Washington. These lobbyists are working hard to get NAFTA approved.

But there is more. These same companies also provide major funding for the key business and trade associations in Washington, D. C., such as the United States Chamber of Commerce, the National Association of Manufacturers, the Business Roundtable, and dozens of others. All these organizations and their lobbyists are working hard to get Congress to ratify NAFTA.

Most of these U.S. corporations and trade associations also have large Political Action Committees (PACs) that have donated heavily to the NAFTA advocates in Congress.

Finally, the largest lobbying organization in the United States is doing all that it can to persuade Congress to ratify NAFTA. That organization is the executive branch of the federal government.

It is illegal for the executive branch to lobby Congress, but the White House and the dozens of agencies under its control employ hundreds of people in a category called "congressional relations." It's the same thing as lobbying, but it doesn't pay as well.

The president's "congressional relations" staff is backed by the premier public relations machine in the world — the White House. The congressional relations staff also has the services of economists, statisticians, librarians, and clerks who can quickly find any piece of information needed to sell this agreement to Congress.

NAFTA Myths

A strange thing happens in the executive branch of our government when the president adopts a position on legislation — facts suddenly don't matter. The only goal is to get the legislation through Congress. The debate over NAFTA has reached that stage. The administration's team has one goal — get NAFTA ratified by Congress. In pursuit of that objective, a huge public relations effort is underway.

To sell this agreement, NAFTA proponents are using dozens of sales pitches. If one pitch won't work, then another is tried. But much of what is being presented as fact by NAFTA advocates in speeches and editorials crumbles upon closer examination. Here are some of the premier NAFTA myths:

Myth 1 — NAFTA Critics Are Racists

The quickest way to discredit a critic, discount an argument, or intimidate an opponent in U.S. politics is to label that person a "racist." It happens time and again because it works. Once a prominent official makes the smear, it is repeated by the media, and the victims are then forced to prove they are not bigots. The accusers are rarely criticized by the media.

The "racist" card is already being played by the pro-NAFTA advocates. High-level administration officials are telling reporters in "off the record" interviews that NAFTA opponents are racists. Several Members of Congress are making similar slurs in public. It is, of course, all planned and coordinated. Politicians who claim otherwise should be asked to explain such demagoguery to their constituents.

The fact that American workers don't want their jobs moved to Mexico is not "racist."

Myth 2 — NAFTA Will Create More and Better U.S. Jobs

When NAFTA negotiations began in 1991, advocates claimed NAFTA would create more jobs for Americans. In 1992, during the middle of the negotiations, the U.S. Secretary of Labor testified before Congress that NAFTA would cost 150,000 American jobs. In July 1993, the Congressional Budget Office reported that the total number of lost American jobs would be "well under half a million." Notice a trend here?

The reason that most U.S. policymakers are so blind to the job shifting that will occur if NAFTA is ratified is that they rely on the dozens of "reputable" academic studies that say it won't happen.

Yet, these studies are based on unrealistic assumptions and flawed mathematical models. Most of these models assume, for instance, that the United States is operating at full employment, meaning that anyone losing a job has the skills and resources to get a comparable job almost immediately. They also assume that Mexico will not become an export platform into the United States for Asian and European manufacturers.

As absurd as these assumptions are, they are the least of the weaknesses found in the studies. Specifically, the International Trade Commission, the federal agency that analyzes the economic effects of U.S. trade agreements, reported to Congress in February 1993 that the most prominent of the NAFTA studies,

including its own earlier reports, are based on mathematical models that are unable to "capture" the effects of key elements of the agreement. One element is "the elimination of trade balancing requirements in the automotive sector, and rules-of-origin requirements in the computer, automotive, and textiles sectors." Yet computers, automobiles, and textiles are a major component of U.S.-Mexico trade.

In addition, the International Trade Commission concluded that these models were unable to satisfactorily calculate the effects of NAFTA on key agricultural sectors, like sugar, because of "special factors such as changes in government price support programs in both the Mexican and U.S. sectors as well as liberalization under NAFTA of quota on imports of downstream products in the sugar-containing products sector." But agriculture is also a major component of U.S.-Mexico trade in this agreement.

Most important, the International Trade Commission reports that the mathematical models do not "incorporate potential increases in Mexican investment resulting from NAFTA." In plain English, this means these models cannot calculate whether NAFTA will result in U.S. companies moving to Mexico. And since these model makers cannot do the calculations, they assume that U.S. companies will not relocate. These mathematical model studies are worthless.

Let's be clear about this: these studies certainly do not provide a basis on which Congress can make an informed decision about NAFTA.

Myth 3 — U.S. Companies Will Relocate to Mexico With or Without NAFTA

It is true that many U.S. companies have already moved some of their operations to Mexico under the Maquiladora Program. For these U.S. companies, the risk associated with Mexico's court system and political system is not an obstacle. For many other U.S. companies, these legal obstacles are too large. NAFTA is the ticket for this latter group. It guarantees quick payment for nationalized properties at market prices, protects the intellectual property rights of investors, ensures currency convertibility, and allows foreigners to take their profits out of Mexico. Disputes will be settled by a new institution that is beyond the reach of Mexican courts. All these investor protections are in an international agreement that is beyond the reach of Mexican politicians.

If a U.S. company has been sitting on the fence trying to decide whether to move its manufacturing operations to Mexico, then NAFTA removes most of the remaining impediments and doubts.

In other words, if NAFTA is ratified, the stream of U.S. factories flowing to Mexico will become a flood.

Myth 4 — Low Mexican Wages Don't Matter

Dozens of speeches and editorials by NAFTA advocates have included the following message, "If low wage rates mattered in determining where to locate factories, Haiti would be the most industrialized country in the hemisphere." Sometimes, Bangladesh is substituted for Haiti. The real reason U.S. manufacturers do not go to Haiti or Bangladesh is that these countries don't have the political stability or investment guarantees of NAFTA.

The argument made by these advocates is that Mexico's low wages reflect low productivity, giving companies little reason to relocate.

This argument is wrong on three counts. First, Mexican workers are very good. Dozens of articles in leading publications, such as the *New York Times* and *Business Week* document that although overall U.S. productivity is much greater than Mexico's, the productivity of the new Mexican plants operated by U.S. corporations is fully competitive with plants located anywhere in the world.

Second, the vital link of workers getting more pay for greater productivity has been broken by the Mexican government's wage controls. This is why real wages in Mexico have dropped by more than 50 percent over the past decade, even as Mexican workers in the export industries have dramatically increased their productivity. Mexico's government is deliberately using low wages to lure foreign manufacturers.

Finally, labor costs are the principal cost of production for most U.S. manufacturers. They have few means to cut the costs of interest, taxes, supplies, components, energy, and other factors of production. But management can cut labor costs. In the 1980s, most U.S. companies eliminated entire layers of workers. Now, a large and growing number of companies are cutting labor costs by using low-wage, temporary workers and denying them any benefits. Other manufacturers are moving to Mexico in search of cheap labor.

The arithmetic of relocation is awesome. The Internal Revenue Service reports that U.S. manufacturers have average taxable profits of three to five percent on sales. A quick way to boost those profits is to find workers who will do the same work for less pay. By moving factories to Mexico, companies can cut their costs of labor by 80 percent or more. If labor is 20 percent of the total cost of production in the United States (which it is for half of all U.S. manufacturers), a shift to Mexico means a savings of 16 percent on total production costs. For most companies, just one year's savings on labor will pay for the cost of relocation. Thereafter, most of these savings translate to increased profits.

The question, therefore, is this: will large numbers of U.S. manufacturers abandon their American workers and relocate to Mexico if they can generate cost savings and vastly increase their profits under the protection of NAFTA?

Myth 5 — Mexico Is A Vast Market For U.S. Exports

The raw statistics of U.S.-Mexican trade give the mistaken impression that Mexico is a vast and growing market for American exports. A closer look, however, reveals a far different picture.

Of the $40.6 billion of U.S. exports to Mexico in 1992, $15.5 billion was capital goods — that is, factories. For example, when Smith Corona closed its typewriter factory in Cortland, New York last year and shipped its manufacturing equipment to Tijuana, Mexico the transfer of equipment counted as an "export" of low-wage workers. The graph on page 73 explains these relationships.

The only significant opportunity the U.S. has to export to Mexico is the opportunity to sell capital goods to U.S. factories relocated in Mexico. The grim reality of this arrangement is the loss of millions of American jobs.

Myth 7 — NAFTA Will Reduce Illegal Immigration

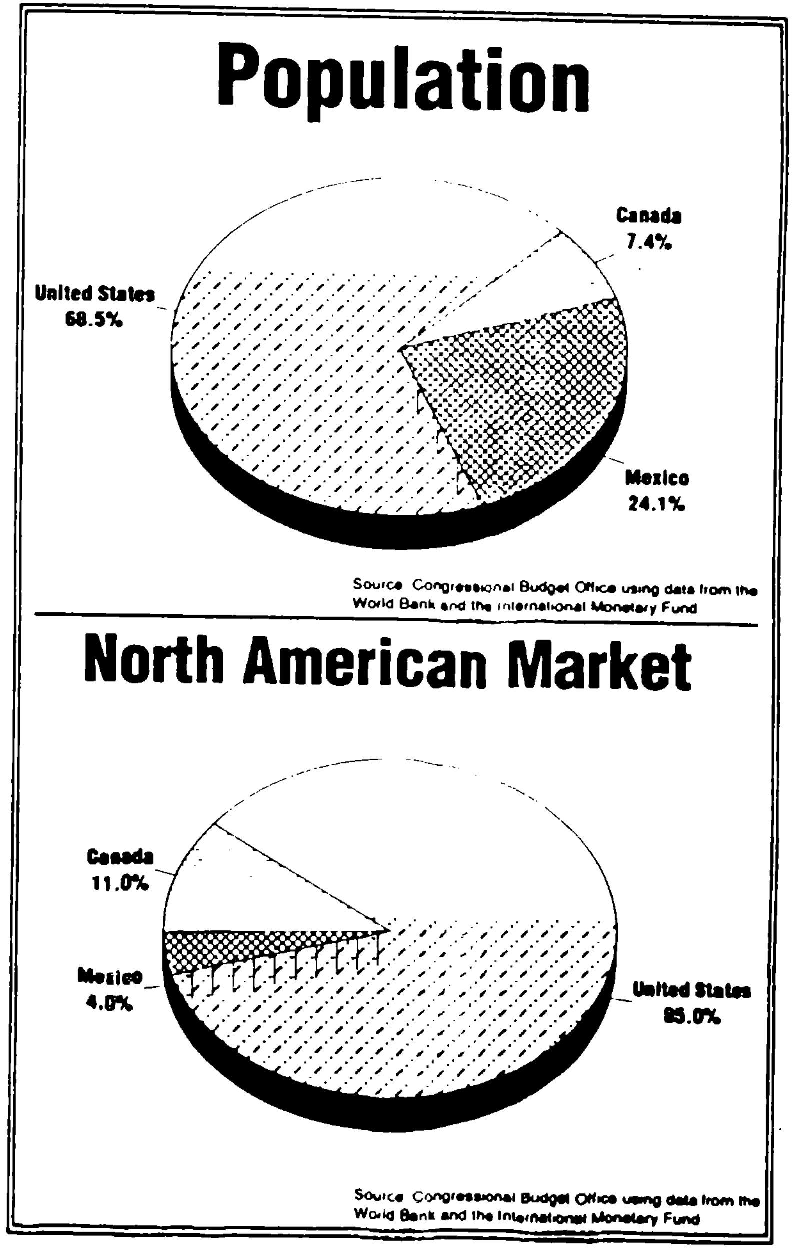
As manufacturing in northern Mexico expands, hundreds of thousands of Mexican workers will be drawn north. They will quickly find that wages in the Mexican maquiladora plants cannot compete with wages anywhere in the United States. Out of economic necessity, many of these mobile workers will consider illegally migrating into the United States. In short, NAFTA has the potential to increase illegal immigration, not decrease it.

Myth 8 — Rejection of NAFTA Will Cost 400,000 American Jobs

The United States Trade Representative and other administration officials have testified that if Congress rejects NAFTA, the United States will lose 400,000 jobs. This estimate has been widely repeated. It is nonsense.

The estimate of 400,000 lost jobs is based on the assumption that U.S. exports to Mexico will rise by almost one-third by 1995 — a $13.4 billion increase — if NAFTA passes, or to about a $54 billion level. At the same time, the administration estimates that exports will fall by a quarter if NAFTA is rejected — that is, from $40.6 billion today to $31 billion.

How did the administration get that 400,000 job figure? Economist Thea M. Lee was asked the same question by Congress. She punctured this balloon. Lee told Congress that the drop of exports from $40.6 to $31 billion accounts for 161,000 jobs. But, when Congress asked, "Where do the other 239,000 lost jobs come from," she responded as follows: the loss of 400,000 jobs is not measured from current levels, but from the mythical height of 900,000, which is never actually attained, but only assumed to be possible.



The administration's 400,000 job loss claim is baseless; just more blue smoke and mirrors.

Myth 9 — Rejection Of NAFTA Is A Rejection Of Salinas

One U.S. Senator has written that a "repudiation of NAFTA would be a personal repudiation of President Salinas, who first requested the negotiations."

A former Secretary of State writes that "Defeat of NAFTA would do incalculable harm to the reform process President Salinas has so successfully begun."

Administration officials argue in private that if NAFTA is rejected, President Salinas might not be able to choose his successor and the ruling PRI's dominance of Mexico's politics might be endangered.

Again, let's be clear here. This is supposed to be a trade agreement. It must be evaluated on what is best for the American people, and particularly American workers. American jobs should not be used as a foreign policy device to take sides in the upcoming Mexican elections.

From the beginning of negotiations, everyone has understood that Congress has the right to reject this agreement. The sole criterion by which NAFTA should be judged is "is it good for America?"

Each of these myths is being repeated in countless forms as the Congressional vote on NAFTA approaches. Upon examination, however, all the myths are merely rationalizations designed to give Members of Congress an excuse to vote "Yes" on NAFTA.

It is up to you, the American voters, to tell Congress to vote "No" on NAFTA.

Chapter 6

What's in NAFTA

As the battle over the federal budget began to heat up in July 1993, the national media got a copy of a White House memorandum that told administration officials what to say about the president's budget proposal. They were instructed to skip the details and simply state that the plan will "be good for the country, good for the economy and good for middle-class working families."

The president's staff was also advised to project "optimism, energy, and enthusiasm." The memo said, "Even your most cynical critics will walk away impressed with your commitment... Your body language, attitude and confidence will be infectious."

NAFTA is being sold in a similar manner — skip the details and make optimistic, but vague, claims; all presented with energy, enthusiasm and positive body language, whatever that is.

Is it any surprise, therefore, to learn that only a few Members of Congress have read NAFTA or understand its implications? It shouldn't be. Most Members of Congress are learning about NAFTA from foreign lobbyists, special interests, or from the short summaries of the trade agreement prepared by the special interests and the governments of the United States, Canada, and Mexico.

America's business should not be conducted this way. But the reality of the situation is that the elected servants must deal with an enormous volume of information and documentation. In one sense, they are the victims of their own creation — a huge bureaucracy that is capable of producing more legislative proposals than any one person can possibly comprehend.

While there is no substitute for reading the actual agreement, it is unlikely that very many Members of Congress will take the time or make the effort to read it before they must cast their vote. Reading and understanding a 1,100-page document with language similar to a life insurance policy is something that few people have time to do.

Yet, elected servants bear the burden to ensure that they are hearing all sides of a particular issue and know what they are doing when they vote, particularly on something as dangerous to America's economic future as NAFTA.

The remainder of this chapter is devoted to a summary of NAFTA. Special attention is focused on the provisions affecting American jobs and U.S. sovereignty.

The Basic NAFTA Document

The North American Free Trade Agreement is a two-volume document with a blue cover. The 570 pages in Volume I present the key provisions of the agreement between Mexico, Canada and the United States.

Volume II consists of 450 pages. Of these pages, 147 are devoted to "exceptions" to NAFTA. Another name for an exception might be a "special treatment provision." If you've just finished negotiating a deal with someone, you might judge your negotiating success on the number of "special treatment provisions" to the contract that you were able to get — the more the better. We've already seen several examples of one country or two countries receiving special treatment or exceptions under NAFTA. We'll see several more exceptions in this chapter.

The NAFTA document conveniently summarizes the exceptions on a country-by-country basis. It shouldn't come as any surprise to learn that the United States has the fewest pages of exceptions — a total of 21. Canada has twice as many pages —

42. Mexico has twice as many pages of exceptions as Canada— a total of 84. If you've ever traveled in Mexico and tried to buy anything, you quickly learned not to accept the first offer that someone gave you. Maybe the U.S. negotiators didn't spend enough time in Mexico before they began negotiating.

Because NAFTA incorporates virtually all the provisions of the 1988 Canada Free Trade Agreement, very few changes in trade between Canada and the United States will occur if NAFTA is ratified by Congress. As a result, the North American Free Trade Agreement basically defines Mexico's new relationship with its two northern neighbors. NAFTA integrates a very underdeveloped country with two very developed countries.

NAFTA — Volume I

Part One — General Matters

Volume I is divided into eight parts and 22 chapters. Part One is very short. In only seven pages, which are divided into two chapters, Part One describes the six basic objectives of the agreement, defines the terms that are used, identifies NAFTA's relationship to existing international trade and environmental agreements, and states the obligations that each nation assumes once the agreement is adopted.

Of the six objectives, *three are concerned with the principal goal of the agreement — protecting foreign investors who do business in Mexico.*

Extent of Obligations — The most important provision in Part One is Article 105 which defines the obligations of the three countries if NAFTA is enacted. It states *that each government* "shall ensure that all necessary measures are taken in order to give effect to the provisions of this Agreement, including their observance, except as otherwise provided in this Agreement, by state and provincial governments."

This is a very, very broad commitment on the part of the United States if NAFTA is ratified by Congress. Not only will the United

States be bound to change its federal laws that conflict with NAFTA, but it will also make a commitment to see that any state laws that conflict with NAFTA are changed. Many existing laws and regulations at all levels of government will be superseded by NAFTA.

Equally important, NAFTA gives Mexico and Canada the right to challenge the legality of our federal, state, and local laws as illegal trade barriers. Any challenge will be considered in secret by a panel of international trade bureaucrats. There is no appeal process involving the U.S. justice system. The third branch of U.S. government, the judiciary, and the American right to due process have been negotiated away. What happened to the system of checks and balances? If the United States loses a decision before this board of international arbitrators, the United States is obligated to change its laws or pay a penalty to the other nations.

The impact of this provision on U.S. sovereignty is neither trivial nor far-fetched. In the late 1980s, the United States banned tuna imports from Mexico under the provisions of the U.S. Marine Mammal Protection Act, which protects dolphins from lethal fishing methods. Mexico challenged the legality of the U.S. law under the General Agreement on Tariffs and Trade (GATT), the world trade agreement. In August 1991, a GATT panel ruled that the U.S. law is an illegal trade barrier. An appeal of the matter is still pending.

In 1990, Canada challenged U.S. excise taxes on beer, wine, and cider. As part of its opinion in this case, a GATT panel of arbitrators established a significant precedent with respect to the effect of both U.S. federal law and state law. The international panel declared that, "GATT law is part of the United States federal law and, being based on the Commerce Clause of the Constitution, overrides, as a general matter, inconsistent state law." GATT ruled that the U.S. federal government must take all measures within its constitutional authority to force compliance with GATT by each of its state governments.

As these examples suggest, NAFTA obligates the United States in ways that are only dimly understood. An international

agreement of such importance to the United States should never have been negotiated in secrecy or in haste. Congress should not attempt to ignore the impact of NAFTA on the United States by limiting itself to only 20 hours of debate in the House and 20 hours of debate in the Senate as provided by "fast track." This is reckless and irresponsible. What's the hurry?

Part Two — Trade in Goods

Part Two of NAFTA specifies the rules that will be used to guide trade between Mexico, Canada, and the United States. In 151 pages, which is divided into eight chapters, Part Two defines the future for thousands of U.S. companies and millions of American workers.

National Treatment and Market Access for Goods — Chapter Three describes in great detail the goods that can be traded under NAFTA, the duties that can be charged, the restrictions that can be imposed, and the exceptions. The net effect of this section is to quickly open the U.S. market to goods shipped from Mexico.

Under NAFTA, the United States must eliminate all of its tariffs on automobiles imported from Mexico, while Mexico only has to reduce its tariffs on autos made in the United States over a ten-year period. Mexico and Canada can impose domestic content restrictions on auto makers requiring that significant portions of all vehicles sold in their countries must be made there. *No reciprocal right exists for the United States.* NAFTA makes Mexico a very attractive manufacturing center for U.S., Japanese, and European automakers.

The U.S. apparel market is further opened under NAFTA to producers operating out of Mexico. Open access to U.S. markets will speed the flight of American apparel companies out of the United States in search of low-wage Mexican labor. U.S. and Canadian negotiators won an exception in this part of the agreement requiring that a substantial portion of the apparel made in Mexican factories must use yarn, thread, and fabric manufactured in North America. The intent is to protect U.S. and Canadian textile jobs. However, *Chinese and other foreign textile makers have already figured a way around this provision by building their own factories in Mexico.* U.S. textile makers who want to be competitive will be forced to move jobs to Mexico or go out of business.

For the next ten years, Mexico can prohibit the import of 95 types of used equipment. The equipment that cannot be shipped into Mexico includes virtually every type of construction equipment imaginable, such as scrapers, graders, draglines, cranes, and tamping machines. Mexican manufacturers and foreign equipment makers with Mexican factories are protected from inexpensive imports of used equipment. Assuming that new construction equipment produced in the United States cannot compete from a price standpoint, the sale of used equipment would have been the only hope for U.S. equipment manufacturers. As a result of this NAFTA restriction on U.S. equipment manufacturers, only construction equipment produced in Mexico will be used in the post-NAFTA building boom. It's a cozy little arrangement nicely protected under NAFTA. Whose interests were the U.S. negotiators looking out for?

Rules of Origin — Chapter Four establishes rules that deny preferential treatment for goods produced outside of North America. The way for a Japanese or European company to get preferential treatment, of course, is to build a factory in Mexico. This is exactly what the Mexican government is encouraging investors from outside of North America to do.

Customs Procedures — Chapter Five requires each nation to provide assurances that a product exported to one of the other two participating countries was produced in the country that exported it. The idea is to make certain that Mexico does not become a transshipment station into the United States and Canada for goods manufactured outside of Mexico.

The problem, of course, is enforcement. The flow of trucks across the Mexican border has grown far faster than the capacity of the U.S. Customs Service to inspect the goods. The state of California reports that the volume of commercial traffic entering

California from Mexico increased from 391,000 vehicles in 1983 to more than 786,000 in 1990. The volume will expand even more if NAFTA is ratified by Congress.

According to the General Accounting Office, the United States had 1,800 inspectors along the border in 1990 when their work load demanded 2,500. If traffic increases again by another one hundred percent, as it surely will, the U. S. Customs Service will need an additional 2,500 inspectors. The likely result is not enough inspectors to cope with a flood of imports across the U.S.-Mexico border.

Take this situation a step further. Assume that the United States could put enough customs agents along the border to inspect every item exported from Mexico to the United States. Are those customs agents going to be able to tell the difference between a shirt made by prison labor in China and a shirt made in Mexico?

Energy and Basic Petrochemicals — Under Part Two, Chapter Six of NAFTA, Mexico retains its constitutional prohibitions on foreign ownership of its energy resources. While citizens of Mexico can own oil companies in the United States, the reverse is not true in Mexico. The agreement does allow U.S. companies to export natural gas and petrochemicals into Mexico, and to participate in ownership of companies that generate electricity and provide contract services to Mexico's state-owned energy monopolies. For the most part, however, Mexico kept energy, one of its principal industries, off the NAFTA negotiating table.

Agriculture, Sanitary, and Phytosanitary Measures — Chapter Seven is one of the most important parts of NAFTA. The negotiations on this section were handled in the worst possible way. First, Canada refused to negotiate jointly with the United States and Mexico because it didn't want to risk losing any part of the very good deal they struck in the 1988 Canadian Free Trade Agreement. Mexico negotiated one deal with Canada and another deal with the United States. The U.S.-Canadian negotiations simply reaffirmed the existing trade pact between the two countries.

NAFTA's text contains one agreement that applies to agricultural trade only between Canada and Mexico, and another agreement that applies only to Mexico and the United States. In each agreement, new tariffs are specified on a product-by-product basis for dozens of agricultural products.

Two of the most important provisions, however, concern the export of wheat and corn to Mexico. Under NAFTA, Mexico's market will be opened to U.S. and Canadian exports of both commodities. But, U.S. wheat farmers will be at a price disadvantage because the 1988 Canada Free Trade Agreement already permits Canada to subsidize the wheat production of its farmers.

Perhaps the greatest dangers from NAFTA are contained in the food hygiene standards. NAFTA's lax standards undermine existing U.S. health and environmental standards. Rather than adopt the highest possible food hygiene levels, NAFTA adopts standards developed by something called the Codex Alimentarius Commission, plus those of the International Office of Epizootics, the International Plant Protection Convention, and the North American Plant Protection Organization.

The Codex, a United Nations organization, is a standards-setting body whose members are national governments. It meets every two years to ratify standards — such as those on pesticides, residues, and meats — that are proposed by its committees.

The Codex delegations create a problem because they rely heavily upon the expertise of executives from the very industries that are to be regulated. Again, the numbers reveal a lot: the U.S. Advisory Panel to the Codex Alimentarius at a recent standards review was composed of representatives from 14 food and chemical companies, six food and chemical trade associations, but only two consumer groups.

As in other parts of the U.S. government, the revolving door is once again a problem. The leader of the U.S. Codex team until 1991 was the Under Secretary for Agriculture. In August 1991,

he cashed in on his government service and became the chief lobbyist for the National Food Processors Association.

A comparison of the Codex standards with standards of the Food and Drug Administration (FDA) and the Environmental Protection Agency (EPA) reveals the recklessness of the American negotiators in adopting those standards. For example, the Codex allows five times more heptachlor on broccoli than the FDA, ten times more DDT on carrots, three times more aldrin on lettuce, and 50 times more DDT on peaches. The Codex also allows 25 times more benomyl on carrots than the EPA, 40 times more permethryn on apples, three times more lindane on strawberries, and almost two times more aldicarb on bananas.

The Codex and other United Nations' standard-setting bodies are a quick and easy way to get around U.S. hygiene standards. It's really simple:

- Load the Codex committees with representatives from industry;
- Have the industry officials set weak standards;
- Get the standards adopted by the Codex;
- Persuade governments to use the Codex standards in their trade agreements;
- Use the exemptions provided by the trade agreements to enter the U.S. market with foods that would never meet the U.S. hygiene standards.

NAFTA is back-door deregulation of U.S. health and environmental standards.

Part Two, Chapter Eight is supposed to provide any one country protection from a flood of imports from one or both of the other two countries if an industry in the one country is seriously threatened. The provision only remains in force for ten years. However, its administrative procedures are so slow and bureaucratic that a U.S. industry asking for relief would be financially dead by the time any relief action were taken.

Part Three — Technical Barriers to Trade

Chapter Nine, which is only 22 pages long, comprises all of Part Three. It defines the standards that will be used for trade under NAFTA, excluding those for food hygiene which are defined in Chapter Seven.

The objective of Chapter Nine is to equalize the standards used by the three nations in a vast array of areas such as labeling, pharmaceutical testing, communications, health standards, and transportation safety among others. While the goal should be to raise Mexico's standards, which are lower than those of the United States, NAFTA uses international standards as the foundation for setting rules in the future. Many of these international standards are lower than existing standards in either Canada or the United States.

An apparent U.S.-inspired provision (probably from a pang of conscience) allows each of the three nations to establish higher domestic standards, and to exclude imports that fail to meet these higher standards. However, any standard stronger than the official international standard can be challenged as an unfair trade barrier. The challenge will be decided by a trinational panel of trade bureaucrats operating in secrecy.

Put another way, NAFTA forces the United States to justify its domestic regulations to Mexico and Canada. Instead of bringing the Mexican standards up, NAFTA will lower U.S. standards on health, safety, and the environment. U.S. trade negotiators should never have put the American consumer in this position.

Part Four — Government Procurement

This [illegible] page chapter opens country's government procurement operations to suppliers from the other two countries. NAFTA specifies which government agencies will accept foreign bids, provides equal competitive opportunities to bid, and makes certain that the rules are fair for all.

The big gain for the United States is that U.S. companies will be permitted to do work for PEMEX, Mexico's giant petroleum industry. But the price is high. For instance, NAFTA will nullify

the federal *Buy America Act*, which provides that federal outlays will be used to buy competitive U.S. products. NAFTA will also undermine the *Buy America* laws of 35 states and hundreds of cities. NAFTA allows Mexico and Canada to challenge *Buy America* laws as illegal trade barriers.

There is another consideration — government procurement in the United States is more than five times greater than that of Mexico and Canada combined. Hence, Mexican and Canadian suppliers get access to a big market and U.S. suppliers get access to a little market. Some deal.

Part Five — Investment, Services, and Related Matters

Make no mistake about it: this is the core chapter of NAFTA. Although it lies neatly buried in the middle of the document, this really should be the first chapter — everything else is sort of incidental. This chapter is comprehensive, and the exceptions to the agreement are defined in exquisite detail. The U.S. negotiators obviously gave these provisions a great deal of time and thought.

Investment — The protections provided in this pact cover not only investors from the three signatory countries, but also investors from other nations that do business in North America. Foreign investors already have these protections in the United States and Canada. NAFTA extends protection for foreign investors to Mexico, thereby increasing Mexico's attraction to European and Asian investors.

The investment chapter defines a series of commitments, mostly for Mexico, that will make doing business in Mexico much like doing business in either Canada or the United States. In the process, Mexico surrenders many of the restrictions that it once imposed on the operation of foreign businesses and allows foreign investors to operate in industries that were once reserved to Mexican citizens.

In NAFTA, Mexico agrees to allow foreign investors to take home any profits, dividends, interest, capital gains, royalty payments, management fees, and other monies derived from investment in Mexico. This new ability to take money out of Mexico is very important to foreign investors.

In NAFTA, Mexico agrees not to nationalize or expropriate foreign investments. However, in the event Mexico does nationalize or expropriate foreign investments, NAFTA protects the foreign investors by requiring compensation to be paid in full, without delay, and at a rate equivalent to the fair market value of the expropriated property.

The question that investors must ask themselves, of course, is this: if the promise not to nationalize foreign investments is broken, what are the chances that the promise to reimburse the foreign owners will be kept? The most likely remedy for American investors would be to get the U.S. government to impose high import tariffs that can be used for compensation and also permit fast tax write-offs — all of which will come out of the pockets of U.S. taxpayers.

Under NAFTA, investor disputes will be handled by a new institution that is beyond the reach of Mexico's judicial system and the United States' judicial system. Foreign investors will go to international arbitration to seek binding awards for any violations of NAFTA, and secure those awards under both NAFTA and other international treaties.

Finally, with its status as an international agreement, NAFTA's investor protections are beyond the reach of Mexico's politicians. NAFTA is intended to create political stability where it might not exist.

NAFTA also makes some important exceptions for foreign investment, most of which are at the expense of the United States. Canada, for instance, is allowed to review the direct acquisition by foreigners of all Canadian business assets over $5 million and the indirect investment of more than $50 million in uranium, oil and gas, financial services, transportation, and the entertainment industry. Mexico is allowed to review foreign investments over $25 million, an amount that will rise over time.

Mexico and Canada want to know who is investing in their country and whether those investments are in their national interest. Mexico and Canada reserve the right to limit or prohibit foreign investors. The United States does not have this same right under NAFTA.

Canada can also require U.S. investors to transfer technology to Canada as a condition of doing business within its borders. NAFTA prohibits the United States from imposing the same conditions on Canadian investors.

Mexico and Canada's entertainment industries (movie and television production, for example) have important exclusions under NAFTA. Similar exclusions are not available to the United States.

NAFTA allows Mexico and Canada to protect certain industries and to exclude U.S. investors (both individuals and corporations) at their discretion.

Cross-Border Trade in Services — The service industries of the United States are among the strongest in the world. NAFTA will provide U.S. service industries access to Mexico's closed market. At the same time, Mexican service providers will also gain full access to the rich U.S. market.

It is the intent of this section of NAFTA to eventually allow service providers to practice anywhere in North America. It also commits the United States to negotiate the removal of restrictions, licensing provisions, and performance measures that might exclude citizens of Mexico or Canada from providing services in the United States.

NAFTA commits the United States to ensure that the licensing of professionals or service providers is based on competence to provide the service and does not constitute a disguised trade barrier. NAFTA forces the United States to eliminate any citizenship and permanent residency requirements for professional service providers, such as doctors, lawyers, and accountants.

NAFTA is a threat to more than blue-collar jobs. Today, more than 15 million Americans work in professional occupations. All professionals have a major stake in ensuring the standards of their profession. Under NAFTA, those standards will be subject to a challenge which will be heard by an international panel. U.S. professionals will soon be competing with lower wage Mexican professionals in the U.S. service market.

Telecommunications — U.S. companies that move to Mexico may require top quality computer, data processing, and electronic data base services. The telecommunications section of NAFTA ensures that foreign companies in Mexico will have full access to public telecommunications networks, including privately leased lines, on reasonable and non-discriminatory terms. The goal of this provision is to allow foreign investors to have the same level of telecommunications services in Mexico that they can get in the United States or Canada.

Financial Services — Under NAFTA, Mexico can restrict foreign banks from controlling more than eight percent of the entire banking market. Mexico will have to allow this limit to rise to 15 percent by 1999. If foreign banks achieve 25 percent of the Mexican banking market between the years 2000 and 2004, Mexico can freeze foreign financial affiliate's market share at that level. This freeze may not remain in effect for more than three years. Mexico can restrict foreign banks to controlling no more than one-quarter of the Mexican banking market until as late as the year 2007.

The important result of NAFTA's financial provisions is they provide a safe haven for U.S. and Japanese banks that want to avoid banking restrictions in their own countries. The International Trade Commission explains how:

> NAFTA will likely have a modestly beneficial impact on long-term [banking] investment in Mexico. In the absence of U.S. domestic regulatory reform, however, long-term investment in Mexico's universal banking system will be particularly attractive to U.S. and Japanese banks. Once established as financial groups in Mexico, they will be able to operate commercial banking, investment banking, insurance, leasing, and factoring businesses simultaneously. The

> United State's Glass-Steagall Act and Japan's Article 65 separate commercial banking and investment banking in these two countries. Both regulations have provided incentives for U.S. and Japanese commercial banks to establish overseas operations, where they may participate more freely in securities-related activities.

In plain English, this means that U.S. banks will have every incentive to get their U.S. customers to establish affiliates in Mexico. Once the U.S. banks are doing business with their U.S. customers in Mexico, the banks can take an equity position in these enterprises and provide a wide array of high-risk investment services that are prohibited by U.S. laws. Japanese banks can do the same. No one should be surprised that U.S. banks are among NAFTA's strongest supporters — U.S. banks can make a great deal of money if the U.S. companies they serve move factories and jobs to Mexico.

While the United States has long permitted direct foreign investment in its insurance industry, Mexico has not. In one of NAFTA's more beneficial provisions, Mexico opens its insurance market to U.S. and Canadian companies. Today, only 20 percent of Mexico's cars are insured, and less than eight percent of Mexico's homes have household insurance.

Under NAFTA, U.S. and Canadian investors are permitted to own a majority position in Mexican insurance companies. Initially, the collective market share of the foreign insurance companies will be limited, but these restrictions are supposed to disappear within seven years.

U.S. insurance companies, to no one's surprise, are among NAFTA's biggest supporters.

Competition Policy, Monopolies, and State Enterprises — Both Mexico and Canada operate state enterprises that enjoy monopoly status within their countries. While the United States has an antitrust agreement with Canada, it does not have an antitrust agreement with Mexico. The basic intent of this provision is to establish a trinational working group that within five years will produce a set of recommendations to the three countries on how to equalize antitrust laws and regulations in North America.

If the other sections of NAFTA are any indication, there will be well-organized and well-financed attempts to use this trinational report as a means to weaken U.S. laws on monopolies and predatory business practices. This antitrust language should be spelled out prior to ratifications by Congress. This is Negotiation 101!

Temporary Entry for Business Persons — This is one of the most important and most overlooked sections of NAFTA. Today, foreign professional workers can enter the U.S. labor market, but only "temporarily" and only if an employer gets a certification that a qualified U.S. worker cannot be found. Also, the existing U.S. immigration laws place a numerical limit on the number of temporary workers. Put another way, American workers have a priority for American jobs.

NAFTA radically alters this entire concept. Under NAFTA, Mexican and Canadian workers in 63 designated categories may be hired in the United States, *even if qualified American workers are available.*

NAFTA also eliminates, by stages, any numerical limits on the number of these professionals who can work in the United States. In year one of the agreement, only 5,500 professional "temporary" workers from Mexico and Canada can enter the United States. After the first year, NAFTA obligates the United States to consider raising the ceiling. But in any case, another 5,500 can enter in the second year, and another 5,500 in the third year.

If any ceilings remain at the end of three years, the United States must enter into negotiations with Canada and Mexico. At the end of ten years, NAFTA allows an unlimited number of Mexican and Canadian professionals to enter the U.S. labor market on a "temporary" status.

[illegible] PROFESSIONS Th[illegible] NAFTA

GENERAL

1 Accountant
2 Architect
3 Computer Systems Analyst
4 Disaster Relief Insurance Claims Adjuster
5 Economist
6 Engineer
7 Forester
8 Graphic Designer
9 Hotel Manager
10 Industrial Designer
11 Interior Designer
12 Land Surveyor
13 Landscape Architect
14 Lawyer
15 Librarian
16 Management Consultant
17 Mathematician (including Statistician)
18 Range Manager/Range Conservationalist
19 Research Assistant
20 Scientific Technician/Technologist
21 Social Worker
22 Sylviculturist (including Forestry Specialist)
23 Technical Publications Writer
24 Urban Planner (including Geographer)
25 Vocational Counselor

MEDICAL/ALLIED

26 Dentist
27 Dietician
28 Medical Laboratory Technologist/Medical Technologist
29 Nutritionist
30 Occupational Therapist
31 Pharmacist
32 Physician
33 Physiotherapist/Physical Therapist
34 Psychologist
35 Recreational Therapist
36 Registered Nurse
37 Veterinarian

SCIENTIST

38 Agriculturist (including Agronomist)
39 Animal Breeder
40 Animal Scientist
41 Apiculturist
42 Astronomer
43 Biochemist
44 Biologist
45 Chemist
46 Dairy Scientist
47 Entomologist
48 Epidemiologist
49 Geneticist
50 Geologist
51 Geochemist
52 Geophysicist (including Oceanographer)
53 Horticulturist
54 Meteorologist
55 Pharmacologist
56 Physicist (including Oceanographer)
57 Plant Breeder
58 Poultry Scientist
59 Soil Scientist
60 Zoologist

TEACHER

61 College
62 Seminary
63 University

Source: North American Free Trade Agreement, Appendix 1603.D.1, Chapter 16, page 14.

There is more. Once "temporary" workers from Canada and Mexico begin to work in the United States, their "temporary" status can be extended for an unlimited number of years.

NAFTA also expands the concept of "business worker" — which previously meant the owner or executive-level employee of a company doing international business. The expanded concept includes business visitors who are paid from a non-U.S. source. Mexican and Canadian professionals, whether or not they have anything to do with international trade, can work in the United States so long as they are paid from a company in either Mexico or Canada.

Under NAFTA, Mexican and Canadian entrepreneurs will be able to provide U.S. drug stores with pharmacists, hotels with managers, builders with architects, schools with teachers, companies with accountants, hospitals with nurses, and manufacturers with engineers. As a result, hundreds of thousands of professional and semi-professional American workers are going to be put under intense pressure to cut their wages and benefits. Tens of thousands of other American workers are not going to be so lucky. They're going to lose their jobs to low-paid foreign contract workers from Mexico and Canada.

While no one was watching, U.S. NAFTA negotiators radically revised the nation's immigration laws.

Part Six — Intellectual Property

Intellectual property is a short way of saying the economic rights of the owners of patents, copyrights and trademarks. NAFTA provides these holders with strong protections.

The unstated goal of this section of NAFTA is to improve Mexico's laws until they are as strong and as rigidly enforced as those of the United States and Canada. The concern is real because Mexico has long been a transshipment point into the United States for counterfeit goods made elsewhere in the world, and its protections of intellectual property rights are weak. To provide the assurances wanted by the United States and Canada,

Mexico agreed to abide by the provisions of the principal international agreements on intellectual property rights.

NAFTA describes in great detail the procedures and standards that will be used to protect copyrights, computer programs, data, photos, sound recordings, encrypted programs on satellites, trademarks, patents, layouts of semiconductor integrated circuits, trade secrets, and industrial designs. The real question is: can these procedures be enforced?

As with other parts of NAFTA, the underlying goal of this section is to make operating within Mexico as safe for investors as operating within either the United States or Canada. While there is certainly nothing wrong with protecting intellectual property rights, it is a two-edged sword — it will protect U.S. and Canadian artists, inventors, scientists, and engineers, but it will offer additional incentives for moving operations and jobs to Mexico.

Part Seven — Administrative and Institutional Provisions

This part of the agreement defines how NAFTA will be administered and how disputes will be settled. It proposes some radical changes to the rights of U.S. citizens.

Publication, Notification, and Administration of Laws — This section of NAFTA is only three pages long. It binds each nation to establish tribunals that can review and, if necessary, adjust any final administrative actions taken to implement NAFTA. Each country is required to promptly provide the other two countries with information about any proposed action that might affect any provisions of NAFTA.

Review and Dispute Settlement in Antidumping and Countervailing Duty Matters — In simple language, NAFTA takes away the constitutional right of American citizens to seek redress in U.S. courts if they are harmed by several types of international economic crimes, such as "dumping." Dumping is a predatory business practice in which foreign industries sell their products at cutthroat prices often below the selling price for the same goods in the predator's domestic market or even below the cost of production. The purpose of dumping is to unfairly destroy competitors and take away their market share. Although this is illegal in the United States, Mexican and Canadian companies have engaged in these practices many times in the past.

NAFTA is crystal clear on this issue in Chapter 19 which states "As provided in this Article, each Party [nation] shall replace judicial review of final antidumping and countervailing duty determinations with binational panel review."

In the past, the Canadian and Mexican governments have also subsidized many of their companies, which gives them an unfair advantage in international competition. In those cases, the United States can still impose a tariff — a tax on the imported goods — that is equal to the amount of the government subsidy, thereby leveling the playing field.

Over the past several decades, the United States has often been the target of dumping and subsidized exports. Time and again, crime has paid. Dozens of industries, thousands of companies, and millions of American jobs have been lost to these illegal acts. The most visible of these losses is consumer electronics, which was destroyed by dumping in the 1960s and 1970s.

Subsequently, protections have been built into U.S. laws and victims have access to expedited methods to deal with these predators in U.S. courts. NAFTA would wipe out these rights and procedures. The NAFTA procedures are modeled after the procedures incorporated in the 1988 Canada Free Trade Agreement. They have received virtually no attention. Here's how they work:

If U.S. judicial procedures find that Mexican or Canadian firms are either dumping goods in the U.S. market or are being subsidized by their governments, the Mexican and Canadian governments can appeal the ruling by requesting the formation of a binational panel.

The rulings of the international panel are final. Ultimately, U.S. citizens and corporations are denied the protection of American laws within the United States.

The international panels are composed of people appointed by the respective governments. Moreover, a majority of these panelists must be lawyers — a job protection provision conveniently inserted by the U.S. lawyers who negotiated NAFTA.

A panel is composed of five people. The two nations each identify two panelists, and the four panelists then pick the fifth from a list. The U.S. panelists are selected from a list prepared by the White House.

In the spring of 1989, the White House identified a pool of 25 American trade experts from which the U.S. panelists would be selected under the CFTA. Of the 25 potential panelists, 14 were either registered foreign agents or senior partners in Washington law firms that serve as lawyer/lobbyists for foreign interests, including those from Canada.

The list of panelists is now kept secret. These panelists, who in effect serve as international judges, are not confirmed by the senate. Indeed, like the American public, the Senate does not even know who is on this list.

The work of the panel is done in secret, and the proceedings are not released to the public. The only appeal from a decision of a panel is to another international panel, and that panel's decisions are final. These are modern-day Star Chambers — secret courts empowered to decide matters of enormous consequence to Americans.

The authors of this kangaroo court system went a step further to discourage any challenge to their decisions. The CFTA implementing legislation states that, "in the event the provisions providing for the creation and operation of these binational panels is declared unconstitutional by the Appellate Court of the District of Columbia or by the Supreme Court, then the President is authorized on behalf of the United States to accept, as a whole, the decision of the binational panel...." Any action taken by the President "shall not be subject to judicial review, and no court of the United States shall have power or jurisdiction to review such action on any question of law or fact by an action in the nature of mandamus or otherwise."

Furthermore, as one of Ronald Reagan's last acts as President, he signed Executive Order 12662, dated December 31, 1988, which stipulates that in the event the Supreme Court finds that the dispute resolution procedure contained in the CFTA is unconstitutional, the United States accepts as a whole, all decisions of the binational panels. This Executive Order is still in effect. So much for the American system of checks and balances.

After four years of experience with CFTA, there is evidence of how this panel process will work. Canadian interests have appealed the decision of 16 rulings of the U.S. International Trade Commission (ITC). Binational panels were created, and ten out of 16 times they reversed the ITC ruling in favor of the Canadians. U.S. industry has appealed three dumping decisions made by the Canadian government. Panels were formed, and three out of three times they ruled in favor of the Canadians. Of the 16 panels that reviewed ITC decisions, ten had one or more U.S. panelists who was either a registered foreign agent or from a law firm that represents foreign interests.

No one should be surprised to learn that these panels reversed 67 percent of the U.S. dumping and countervailing duty rulings brought before them. In the process, these lawyer/lobbyists established legal precedents that will favorably affect their clients in other cases.

By contrast, the Court of International Trade, which is an independent judiciary and handles all other trade appeals in the United States other than those in CFTA, has a reversal rate of only seven percent. It is a glaring difference.

The dispute resolution mechanism imposed on the United States is sufficient reason to reject NAFTA.

Institutional Arrangements and Dispute Settlement Procedures — NAFTA establishes a trinational Free Trade Commission that will supervise NAFTA's implementation and resolve disputes other than disputes concerned with dumping and

countervailing duties. The agreement requires that the U.S. representative be a cabinet-level appointee. Mexico, Canada, and the United States also agreed to form a new trade bureaucracy that would assist in the administration of NAFTA. This is just what the U.S. taxpayers need — another international agency to support.

The Free Trade Commission, its staff, and its mandate are the undefined features of NAFTA, yet this Commission will wield substantial power over U.S., Canadian, and Mexican trade. The Commission is responsible to staff binational or trinational panels that will resolve any disputes over the agreement. These panels would be drawn from a roster of 30 people, who must be approved by each of the three governments, and who will serve a term of three years. These panelists may be reappointed.

Dispute settlement panels will be composed of five people. But the three governments cannot select anyone from the roster of 30 who are from their own country. If the United States has a dispute with Mexico over some point in NAFTA, the United States must select panelists from either Mexico or Canada.

If a panel rules against the United States, the United States would be required to pay some form of compensation to either Mexico, Canada, or both countries. The net effect of this new supranational commission is to shift the judicial power over vital jobs-related issues from the hands of the U.S. Government and U.S. courts into the hands of international bureaucrats.

What's worse, the rules of procedure for this new bureaucracy will not even be available until January 1, 1994. Congress and the American people are being asked to accept a powerful new quasi-judicial bureaucracy before they are told its rules and procedures. As with the trade negotiations, the American people are being kept in the dark about something that will have a profound impact on their jobs and future.

Exceptions — Chapter 21 tried to clean up the agreement by clarifying several exceptions. One exception, for instance, is that none of the three nations is required to provide information that will undermine its national security or impede law enforcement. Another provision specifies that if anything in NAFTA is inconsistent with any international tax agreement that deals with double taxation, the international agreement shall prevail.

Final Provisions — Chapter 22 is only two pages long, but it has four very important provisions.

The first provision is that the three nations may modify or add to the agreement.

The second provision is that NAFTA shall take effect on January 1, 1994. It cannot take effect, however, until it is ratified by a majority vote in both the U.S. House of Representatives and the U.S. Senate.

The third provision — and this is important — is the *accession provision*, which provides that any country or group of countries may become participants to this agreement. The presidents of Mexico and the United States have both stated that they hope to have South American countries join NAFTA once the United States Congress ratifies NAFTA. This provision gets very little attention.

Finally, Article 2205 of NAFTA permits any nation to withdraw from NAFTA six months after it provides written notice to the other parties. At least there is an escape hatch.

NAFTA'S MISSING PARTS

On paper, American and Mexican workers have virtually the same rights. In reality, they do not.

- American workers, for instance, have the right to bargain collectively. Mexican workers do not.
- American workers have minimum wage structures that can provide a basic living. Mexican workers do not.
- American workers have health and safety protections. Mexican workers do not.
- American workers have child labor protections. Mexican workers do not.

The glaring differences in labor rights should have been addressed if the goal of NAFTA is to integrate the U.S., Mexican, and Canadian economies.

Likewise, both the United States and Mexico have strong environmental laws. They are strictly enforced in the United States, but only loosely enforced in Mexico. Major investments will be required to clean up the pollution in Mexico. No one knows precisely how much the environmental clean-up of Mexico will cost, but some estimates have run as high as $20 billion.

The further industrialization of Mexico will require additional billions of dollars to be spent modernizing its environmental infrastructure such as the water and waste water treatment facilities, utility emissions, and solid waste disposal systems, among others.

NAFTA does not address these necessary and costly environmental issues. It merely suggests that no nation should use weak enforcement of its environmental laws as a means of attracting foreign investment. Yet, Mexico has consistently done this for many years, and continues to do so.

To correct these labor rights and environmental deficiencies in NAFTA, side agreements have been requested by the U.S. government. Canada and Mexico have both insisted that any such agreements have weak mechanisms of enforcement. This brings into question the international commitment to the enforcement of side agreements.

Many Members of Congress have taken the position that they will reserve their judgment of whether or not to vote against NAFTA depending on the final form of the side agreements. For most of these elected officials, this is just an excuse for them to wait and see what the political winds will be at the time they have to vote on NAFTA. It is vitally important that you let your congressmen and senators know your views. Forms are included at the back of this book.

In summary, each of these three weaknesses is a reason to reject NAFTA:

- A flawed dispute resolution system;
- The lack of enforceable worker protection laws; and
- Inadequate environmental protection enforcement.

Even with the strongest possible side agreements and the strongest possible enforcement mechanisms, the basic NAFTA pact is so flawed that it requires rejection.

Good side agreements must not be used as an excuse to approve a bad trade agreement.

Just as the president's staff was instructed to sell his budget package by skipping the details and telling how it will "be good for the country, good for the economy and good for middle-class working families," it is now adopting the same tactics to sell NAFTA. The White House is aided in its lobbying efforts by the Mexican government and profit-driven corporations from both nations.

The pro-NAFTA campaign is the largest lobbying campaign on a single issue in U.S. history.

Chapter 7

How to Make NAFTA Work

Inevitably, the economies of the United States and Mexico will become more entwined with each other. The question is, how?

Ultimately, there are two basic routes. One is to pit the workers of each nation against the other in a race to the bottom for wages and benefits. The other is to create a complementary relationship in which the people of both nations improve their jobs, wages, and living standards — a positive situation for both countries. This is the choice before the American people and the U.S. Congress.

To adopt NAFTA is to choose the first alternative — destructive competition. NAFTA will pull down the wages and standards in the United States while doing little more than exploiting many of Mexico's workers and their families. NAFTA is a losing proposition for both sides.

To move forward in a positive manner, Congress and the president can take the following common sense actions.

What Is Required Of Congress

The Constitution of the United States gives Congress the power to regulate foreign commerce. While the president negotiates trade agreements, it is done within the instructions given to the executive branch by the legislature. Congress alone makes the ultimate decision whether a trade agreement should be adopted or rejected. Many people in Washington seem to have forgotten these provisions of the Constitution of the United States.

For more than 50 years, Congress has handed over the power to negotiate trade agreements to the executive branch, giving one president after another a blank check in trade negotiations. As a result, one president after another has used that blank check to give away entire U.S. industries and American jobs to meet foreign policy objectives. Now that the Cold War is over, the time has come to stop giving away the jobs that belong to the American people.

Trade is really about jobs and wages. Other nations realize this and give trade negotiations a top priority. Japan, Germany, Italy, Switzerland, Sweden, and other advanced industrialized nations would never consider throwing away either the high- or low-wage jobs of their people. The United States must do the same.

Members of Congress must understand they will be held accountable, individually, and as a group, by American voters, based on whether or not Congress faces up to its constitutional trade authority.

At a minimum, Congress should never enact the types of "fast track" authorities that it has given recent presidents. Congress should never put into place a mechanism that in any way alleviates Congress's duty to debate and amend trade agreements. Congress should never allow the president to conduct treaty negotiations in secrecy as was the case during NAFTA talks. Most important, Congress should never again permit itself to be made a "potted plant."

Any trade agreement that can't stand full public scrutiny by Congress before, during, and after the negotiations is not worth having.

Let's make certain this is perfectly clear: you, the American people — the owners of this country — now understand that the U.S. government has been reckless with the jobs of the American people. The American people are now closely watching Congress and will not stand for such negligence again.

The first action that is required of Congress is to reject NAFTA. Congress' second action should be to reauthorize the

president to negotiate a win-win trade deal with Mexico. But this time, Congress should give the president a clear mandate on the type of trade agreement that is acceptable.

Give the President Instructions with Clear Limits and Goals

In recent years, the trade mandate from Congress to the President can be summarized as "do whatever you want and we will rubber stamp it." All too often, this permission has been slipped into other bills, as the "fast track" extension was in the House of Representatives on May 27, 1993, with no discussion or thought. It is ridiculous to sneak trade, or any language, into a non-germane bill. If a public policy is "good for America," the public policy should stand on its own merits.

Any future initiation of trade discussions should include extensive public hearings to present diverse views. The purpose of these hearings and, ultimately, a debate in Congress, is to define U.S. goals in specific trade negotiations and the limits that will be imposed on American negotiators. In short, no more blank checks.

Ten Basic Principles of Congressional Mandate

At a minimum, any congressional mandate for a new round of trade negotiations with Mexico should include the following ten basic principles:

1. A Coherent, Long-Term U.S. Trade Strategy

Any trade deals with Mexico, or any other nation, must be considered in the context of how they fit into the long-term U.S. trade strategy. The United States must develop a trade strategy that reflects these realities:

- The Cold War is over.
- The United States does not have enough good jobs.

basic support systems they can find in either the United States or Canada.

Already, hundreds of U.S. companies have moved facilities to Mexico. Many more are using the possibility of relocating to Mexico as a bargaining tool to force their American workers to take less pay and to work harder.

If enacted, NAFTA will accelerate the downward spiral of U.S. wages. An unfair trade agreement pits workers from one country against workers from another. Unfair trade is contrary to the U.S. goal in any trade negotiation: to expand the U.S. job base and increase the wages and benefits of American workers.

To stem the on-going hemorrhage of American job loss, future access to the U.S. consumer market should be conditioned on imports meeting basic requirements. One basic requirement should be that imports from Mexico and other developing nations be produced by workers whose wages reflect their productivity and value. To ensure this condition, the United States can impose a "social tariff" at a level that is equal to the difference between the wage paid in the developing nation and the wage paid in the United States for comparable work. Social tariffs should apply to the imports from both foreign-owned or U.S.-owned companies.

A social tariff has a number of advantages. A social tariff constructively uses the enormous power of the U.S. consumer market. It does not interfere in the internal affairs of other nations — if they want to do business with the United States, they can play by the rules; if other nations don't want to play by the rules, they can find other markets for their products. The choice is entirely theirs. A social tariff allows U.S. companies to move production anywhere in the world, but limits their power to exploit low-wage production through U.S. import laws. Social tariffs create an incentive for U.S. companies to keep jobs in the United States and improve the productivity of American workers. They give American consumers an assurance their tax dollars will no longer be used to exploit poorly-paid workers in Mexico or other developing countries, as they are now.

6. Increase Jobs and Wages for Mexican Workers

The people of Mexico are good and they deserve a better life. Any new trade agreement should include provisions that will help Mexican workers improve their jobs, wages, and standard of living. The current version of NAFTA does none of this for the people of Mexico.

Again, the principal attraction of the United States is its wealth and market size. If the government of Mexico truly wants companies operating from within its borders to have greater access to the U.S. market, the United States should require that exports from Mexico to the United States be produced by workers who:

- Possess the right to organize independent unions and bargain collectively;
- Have working conditions — hours, minimum wages, workplace safety, and health care — that are equal to those found in the United States;
- Have the right of association; and
- Are not exploited by age or sex.

These standards will reduce the economic incentives of companies to exploit Mexican workers. Moreover, if the United States establishes a set of standards for imports, the U.S. will not be interfering with Mexico's internal affairs. If Mexico wants access to the U.S. market, then Mexico knows the conditions. The same requirements, of course, must apply to all nations.

The imposition of workers rights standards is nothing new. Several existing U.S. laws contain workers rights provisions. Among them are the Caribbean Basin Economic Recovery Act of 1986, the Generalized System of Preferences Act of 1986, the Overseas Private Investment Corporation statute of 1986, and the 1988 Omnibus Trade and Competitiveness Act. The problem is the workers rights provisions in these laws are not enforced. Now they must be enforced.

7. Do Not Make Mexico an Export Platform into the United States

Any future trade agreement should include full assurance that Mexico will not become a low-wage manufacturing platform for other nations that want unimpeded access to the rich U.S. market. Otherwise, foreign manufacturers will attempt to send products made by 30-cent-per-hour labor in Asia into the United States through Mexico. Strict rules of origin must be required and enforced on all U.S. imports to ensure that they meet the new proposed standards on wages and working conditions. Again, enforcement is critical.

8. Protect the Health and Safety of All Parties

Any new trade agreement with Mexico should enforce the highest health and safety standards. The current NAFTA seeks to use international standards that are often substantially lower than standards now used in the United States. For instance, these reduced standards would permit the import of farm products to the U.S. grown with chemicals that are now outlawed in the United States, such as DDT.

9. Protect the Environment

For many years, one of Mexico's principal economic attractions has been the government's lax enforcement of its environmental laws. Over the past two decades, hundreds of U.S. companies have moved to the maquiladora area of Mexico to evade the more strict U.S. environmental regulations which are enforced. In the process, companies in the maquiladora area have done enormous damage to the environment of Mexico.

The U.S. Department of Commerce estimates that over the next decade $20 billion will be needed for sewage-treatment centers, environmental cleanup projects along the Mexican border, and other basic infrastructure such as roads, bridges, and power plants.

Currently, NAFTA contains a weak provision that supposes to prohibit Mexico from luring foreign investment by loosely enforcing its environmental regulations. This provision is meaningless. The proposed side agreement on the environment, though more explicit, is still effectively unenforceable.

If the environment is to be protected, the agreement must contain adequate enforcement provisions. The standard is simple: products cannot be imported into the United States from Mexico that are produced in factories or by companies that violate either U.S. or Mexican environmental standards. No exceptions. Again, the U.S. market is the carrot. If Mexico chooses not to enforce its rules, that is Mexico's sovereign right. Goods produced under conditions which violate environmental standards should be prohibited in the United States. That's America's sovereign right!

10. The Agreement Must Be Enforced

The United States has a history of making trade agreements that contain strong but unenforceable provisions. Too often, no attempt is even made to enforce provisions of a trade agreement. This practice must cease.

Any trade agreement with Mexico or any other nation must be constructed in such a way that it can be enforced. Then, the resources must be made available to enforce it.

This means having enough well-trained customs agents. It means providing the customs agents with sufficient tools and technology to do their job. It means punishing violators of American laws, whether they are individuals, corporations, or governments.

In the future, the standard of the United States should be this: The American people will only accept trade agreements that are good for the American people and that can be strictly enforced.

The Bottom Line

The bottom line is: the North American Free Trade Agreement is not in the best interest of the American people. Therefore, NAFTA must be rejected when it goes to a vote in Congress.

A win-win trade deal with Mexico is possible. To become a reality, Congress must fully accept its responsibility to regulate foreign commerce and provide clear, principled goals for U.S. trade negotiators. Any agreement presented for ratification by Congress must be examined in its entirety with the full participation of the American people.

The American people deserve nothing less.

Acknowledgements

This book is dedicated to the thousands of Americans who suffered from the midwest floods of 1993. United We Stand America salutes the brave, selfless volunteers who worked endless hours to save lives, minimize injuries, and protect their neighbor's property from the ravages of the floods.

* * * * * *

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Ross Perot

The New York Times
on
Mexico's NAFTA Lobbying Campaign
in the United States

The Mexican Trade and Foreign Ministries — since their successful push last year for approval in the United States of the "fast track" legislation that authorizes the Bush Administration to negotiate an agreement that Congress cannot amend — have built one of the biggest and most expensive teams of lobbyists and public relations agents of any foreign mission in Washington.

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Appendix A

Former U.S. Government Officials Working for NAFTA's Passage, 1989 – Present*

As Reported to the Department of Justice

[illegible]	Current Firm	Former Gov't Position (Yrs Served)
Toney Anaya	Independent Lobbyist	• Gov. of New Mexico, 1983-87 • Attorney General of New Mexico, 1975-79 • Admin. Asst. to New Mexico Governor Bruce King, 1971-72 • Leg. Counsel for Sen. Joseph Montoya, 1966-69 • Exec. Asst. to the Asst. Sec. of State, 1966
Timothy Bennett	SJS Advanced Strategies	• Deputy Asst., U.S. Trade Rep. for Mexico, 1985-88 • U.S. Trade Attache to the E.E.C. U.S. Trade Rep., 1981-85 • Exec. Dir., U.S. Generalized System of Preferences, U.S.T.R, 1980-81
John Bode	Olsson, Frank, and Weeda	• Asst. Sec. for Food and Consumer Services, U.S. Dept. of Agriculture, 1985-89
William Brock	The Brock Group	• Secretary of Labor, 1985-87 • U.S. Trade Rep., 1981-85 • Chairman, Republican Nat'l Comm., 1977-81 • Sen., 1970-76 • Member, U.S. House of Reps., 1962-70

[illegible]	[illegible]	[illegible]
Doral Cooper	**Crowell & Moring International**	• Asst. U.S. Trade Rep., Office of Bilateral and Multilateral Affairs, 1981-85 • Deputy Asst. Special Trade Rep. for Japan and Developing Countries, 1978-81 • Economist and Exec. Dir. of the Generalized System of Preferences, U.S.T.R., 1977-78 • Economist for Int'l Finance and Trade Matters, Council of Econ. Advisers, 1975-77
Peter Ehrenhaft	**Bryan Cave**	• Deputy Asst. Sec. and Special Counsel (Tariff Affairs), Dept. of the Treasury, 1977-79
James Free	**Walker/Free Associates**	• Cong. Liaison to the White House (Carter Admin.)
James Frierson	**The Brock Group**	• Coord., U.S. government's policy on the functioning of the GATT system in the Uruguay Round, 1987-89 • Chief of Staff, Off. of the U.S. Trade Rep., 1985-89 • Special Asst. to Amb. William Brock, U.S. Trade Rep., 1981-85
Lee Fuller	**Walker/Free Associates**	• Majority Staff Dir. under Sen. Lloyd Bentsen, Sen. Comm. on Environment and Public Works, 1985-87 • Minority Staff Dir., Sen. Comm. on Environ. and Pub. Works, 1978-85
Peter Glavas	**Gold and Liebengood**	• Special Asst. to Sen. David Boren, 1987-88 • Tax Counsel, Sen. Boren, 1984-88 • Chief of Staff, Sen. Boren, 1984-86 • Campaign Mgr. and Field Rep., Oklahomans for Boren, 1980-84
Martin Gold	**Gold and Liebengood**	• Legal Counsel for Sen. Howard Baker, 1981-82 • Counsel for Floor Operators to Baker, 1979-80

[illegible]	Current Firm	Former Gov't Position (Yrs Served)
Martin Gold (cont.)	Gold and Liebengood	• Min. Staff Dir. and Counsel, Sen. Comm. on Rules & Administration, 1977-79 • Staff, Sen. Intell. Comm., 1976 • Legal Asst. to Sen. Mark Hatfield, 1973-76
Gabriel Guerra-Mondragon	Guerra & Associates TKC International	• Adviser on Nat. Security issues, Clinton transition team, 1992-93 • Special Asst. to the U.S. Amb. to Mexico, 1980-83
Robert Herzstein	Shearman & Sterling	• Under Sec. for Int'l Trade, Dept. of Commerce, 1980-81
Edward Hidalgo	Independent Lobbyist	• Sec. of the Navy, 1979-81 • Asst. Sec. of the Navy, 1977-79 • General Counsel and Cong. Liaison, U.S. Information Agency, 1973-76 • Special Asst. to Director of the U.S. Information Agency, 1972 • Special Asst. to the Sec. of the Navy, 1945-46, 1965-66
William Hildenbrand	Gold and Lienbengood	• Sec. of the Senate, 1980-84 • Sec. for the Min., U.S. Senate, 1974-80 • Chief of Staff, Sen. Hugh Scott, 1969-74 • Leg. Asst. to Sen. Caleb Boggs, 1961-68 • Asst. Cong. Liaison, Dept. of Health, Education & Welfare, 1959-60 • Aide to Rep. H.G. Haskell, 1957-58
Patricia Jarvis	Gold and Liebengood	• Special Asst., Off. of Leg., Dept. of Health and Human Services, 1986-87
Ruth Kurtz	Independent Lobbyist	• Aide to Sen. William Roth, mid-1980s (left in 1989) • Trade Adviser, Int'l Trade Comm., 1980-83 • Int'l Economist and U.S. Trade Neg., Dept. of Comm., 1970-80

Stephen Lande	**Manchester Trade**	• Assistant U.S. Trade Rep. for Bilateral Affairs (left 1982) • Office of the Special Trade Rep., including Deputy Asst. U.S.T.R., 1973-82 • State Dept., Chief of Econ. and Info. Services, U.S. Embassy, Luxenbourg, 1970-73 • State Dept., Consular Off., Athens, Greece, 1966-68
Howard Liebengood	**Gold and Liebengood**	• Sergeant-at-Arms, U.S. Senate, 1981-84 • Leg. Counsel to Sen. Min. Leader, 1977-81 • Min. Staff Dir., Sen. Select Comm. on Intell., 1976-77 • Consultant to Sen. Howard Baker, 1975-76 • Asst. Min. Counsel, Watergate, 1973-74
George Mannina	**O'Connor & Hannan**	• Chief Min. Counsel, House Merchant Marine and Fisheries Comm., 1983-85 • Min. Counsel, House Subcomm. on Fisheries, Wildlife, Conservation and the Environment, 1975-83 • Leg. Asst. to Rep. Edwin B. Forsythe, 1972-75 • Admin. Aide to Rep. Gilbert Gude, 1971-72
Mary Lou McCormick	**formerly of Gold and Liebengood**	• Press Asst., Deputy Press Sec., and Press Sec. to Sen. Bob Packwood, 1981-87
Joseph O'Neill	**Public Strategies**	• Admin. Asst. to Sen. Lloyd Bentsen, 1980-84 • Exec. Asst. to Sen. Bentsen's Texas office, 1972-79
Phil Potter	**Walker/Free Associates**	• Aide to Sen. Peter Dominick, 1969-70 • Senior positions, Dept. of Treasury, 1970-71
William Ratchford	**Gold and Liebengood**	• Member, House of Reps., 1979-85

Otto Reich	The Brock Group	• Amb. to Venezuela, 1986-89 • Special Adviser to the Sec. of State, Interagency Office of Pub. Diplomacy for Latin America and the Caribbean, 1983-86 • Asst. Admin., U.S. Agency for Int'l Devel. Progs. on Latin America and the Caribbean, 1981-83 • Staff Assistant, House of Representatives, 1970-71
Mark Robertson	Gold and Liebengood	• Legal Director for Rep. Stan Parris, 1980's
John Scruggs	Gold and Liebengood	• Asst. Sec. for Legislation, Dept. of Health and Human Services, 1983-84 • Special Asst. to the Pres. for Legal Affairs, 1981-82 • Floor Asst. to House Republican Whip Trent Lott, 1980-81 • Staff Member of the House Rules Comm., late 1970s
Peter Slone	Gold and Liebengood	• Deputy, Nat'l Campaign Mgr., Mondale for President, 1984 • U.S. House Approps. Comm. Assoc. Staff, and Cong. Liaison to the House Educ. and Labor Comm. and Select Comm. on Aging, office of Rep. William Ratchford, 1978-83
James Smith	Walker/Free Associates	• U.S. Compt. of the Currency, 1973-76 • Dep. Under Sec., Treasury Dept., and Dir., Off. of Cong. Relations, Treasury Dept., 1969-73 • Min. Counsel to the Sen. Subcomm. on Intergovt'l Rel., 1960-62 • Leg. Asst., Sen. Karl Mundt, 1957-60
Michael Smith	SJS Advanced Strategies	• Deputy U.S. Trade Rep., 1980-88 • U.S. Amb. to GATT, Geneva, 1979-83

Registrant	Current Firm	Former Gov't Position (Yrs Served)
Michael Smith (cont.)	SJS Advanced Strategies	• Chief, U.S. Textile Negotiator, 1975-79 • Deputy Chief, then Chief, Fibers and Textile Div., U.S. State Dept., 1973-74 • Chief of Pres. Corres. for the White House, 1970-73 • Foreign Service, various positions, including Foreign Service Off., 1958-70
David Tarullo	Shearman & Sterling	• Nominated to be Asst. Sec. for Econ. and Bus. Aff., State Dept., 3/19/93; not confirmed as of press time • Chief Employ. Counsel of the Sen. Comm. on Labor and Human Resources, 1987-89 • Exec. Asst. to the Under Sec., Dept. of Commerce (Int'l Counsel), 1980-81
Abelardo Valdez	Independent Lobbyist	• Amb., Chief of Protocol, State Dept., 1979-81 • Asst. Admin. for Latin America & the Caribbean, U.S. Agency for Int'l Devel., 1977-79
Charls Walker	Walker/Free Associates	• Deputy Sec. of the Treas., 1972-73 • Under Sec. of the Treas., 1969-72 • Asst. to the Sec. of the Treasury, 1959-61

* Chart reflects those who have lobbied or done other pro-NAFTA or trade-related work.

Source: Center for Public Integrity. The Trading Game. Washington, D.C., 1993, Appendix C, pp. 70-73.

Appendix B

Telephone and Fax Numbers of United States Senators and Representatives

	State Office	Washington Off	Fax
Senators			
ALASKA			
Frank H Murkowski (R)	907-271-3735	202-224-6665	202-224-5301
Ted Stevens (R)	907-271-5915	202-224-3004	202-224-2354
ALABAMA			
Richard C Shelby (D)	205-759-5047	202-224-5744	202-224-3416
Howell Heflin (D)	205-381-7060	202-224-4124	202-224-3149
ARKANSAS			
David Pryor (D)	501-324-6336	202-224-2353	202-224-8261
Dale Bumpers (D)	501-324-6286	202-224-4843	202-224-6435
ARIZONA			
Dennis DeConcini (D)	602-670-6831	202-224-4521	202-224-2302
John McCain (R)	602-640-2567	202-224-2235	202-228-2862
CALIFORNIA			
Dianne Feinstein (D)	415-249-4777	202-224-3841	202-224-0656
Barbara Boxer (D)	415-403-0100	202-224-3553	202-224-6252
COLORADO			
Ben Nighthorse Campbell (D)	303-866-1900	202-224-5852	202-224-3714
Hank Brown (R)	303-844-2600	202-224-5941	202-224-6471
CONNECTICUT			
Joseph I Lieberman (D)	203-240-3566	202-224-4041	202-224-9750
Christopher J Dodd (D)	203-240-3470	202-224-2823	202-224-5431
DELAWARE			
Joseph R Biden, Jr (D)	302-573-6345	202-224-5042	202-224-0139
William V Roth, Jr (R)	302-573-6291	202-224-2441	202-224-2805
FLORIDA			
Graham, Bob (D)	904-422-6100	202-224-3041	202-224-2237
Connie Mack (R)	813-275-6252	202-224-5274	202-224-9365
GEORGIA			
Sam Nunn (D)	404-331-4811	202-224-3521	202-224-0072
Paul Coverdell (R)	404-284-1998	202-224-3643	202-224-8227

	State Office	Washington Off	Fax
HAWAII			
Daniel K. Akaka (D)	808-541-2534	202-224-6361	202-224-2126
Daniel Inouye (D)	808-541-2542	202-224-3934	202-224-6747
IOWA			
Tom Harkin (D)	515-284-4574	202-224-3254	202-224-9369
Charles E. Grassley (R)	515-284-4890	202-224-3744	202-224-6020
IDAHO			
Larry E. Craig (R)	208-3427985	202-224-2752	202-224-2573
Dirk Kempthorne (R)	208-334-1776	202-224-6142	202-224-5893
ILLINOIS			
Paul Simon (D)	312-353-4952	202-224-2152	202-224-0868
Carol Mosley-Braun (D)	312-353-5420	202-224-2854	202-224-2854
INDIANA			
Dan Coats (R)	317-226-5555	202-224-5623	202-224-1966
Richard G. Lugar (R)	317-226-5555	202-224-4814	202-224-7877
KANSAS			
Robert Dole (R)	913-295-2745	202-224-6521	202-224-8952
Nancy Kassebaum (R)	913-648-3103	202-224-4774	202-224-3514
KENTUCKY			
Wendell H. Ford (D)	606-233-2484	202-224-4343	202-224-1144
Mitch McConnell (R)	502-582-6304	202-224-2541	202-224-2499
LOUISIANA			
John B. Breaux (D)	504-589-2531	202-224-4623	202-224-2435
J. Bennett Johnston (D)	504-389-0395	202-224-5824	202-224-2952
MASSACHUSETTS			
Edward M. Kennedy (D)	617-565-3170	202-224-4543	202-224-2417
John F. Kerry (D)	617-565-8519	202-224-2742	202-224-8525
MARYLAND			
Barbara A. Mikulski (D)	410-962-4510	202-224-4654	202-224-8858
Paul S. Sarbanes (D)	410-962-4436	202-24-4524	202-224-1651
MAINE			
George J. Mitchell (D)	207-874-0883	202-224-5344	202-224-6853
William S. Cohen (R)	207-780-3575	202-224-2523	202-224-2693
MICHIGAN			
Carl Levin (D)	313-226-6020	202-224-6221	202-224-5908
Donald W. Riegle, Jr. (D)	517-377-1713	202-224-4822	202-224-8834
MINNESOTA			
Paul Wellstone (D)	612-645-0323	202-224-5641	202-224-8438
Dave Durenberger (R)	612-370-3382	202-224-3244	202-224-9931
MISSOURI			
John C. Danforth (R)	314-725-4484	202-224-6154	202-224-7615
Christopher S. Bond (R)	314-634-2488	202-224-5721	202-224-7491
MISSISSIPPI			
Thad Cochran (R)	601-965-4459	202-224-5054	202-224-3576
Trent Lott (R)	601-965-4644	202-224-6253	202-224-2262

	State Office	Washington Off	Fax
MONTANA			
Max Baucus (D)	406-657-6790	202-224-2651	
Conrad Burns (R)	406-252-0550	202-224-2644	202-224-8594
NORTH CAROLINA			
Lauch Faircloth (R)	919-856-4401	202-224-3154	202-224-7406
Jesse Helms (R)	919-856-4630	202-224-6342	202-224-7588
NORTH DAKOTA			
Byron L. Dorgan (D)	701-250-4618	202-224-2551	202-224-1193
Kent Conrad (D)	701-232-8030	202-224-2043	202-224-7776
NEBRASKA			
J. James Exon (D)	402-437-5591	202-224-4224	202-224-5213
Robert J. Kerrey (D)	402-391-3411	202-224-6551	202-224-7645
NEW HAMPSHIRE			
Judd Gregg (R)	603-225-7115	202-224-3324	202-224-4952
Robert C. Smith (R)	603-634-5000	202-224-2841	202-224-1353
NEW JERSEY			
Frank R. Lautenberg (D)	201-645-3030	202-224-4744	202-224-9707
Bill Bradley (D)	908-688-0960	202-224-3224	202-224-8567
NEW MEXICO			
Jeff Bingaman (D)	505-766-3636	202-224-5521	202-224-1810
Pete V. Domenici (R)	505-766-3481	202-224-6621	202-224-7371
NEVADA			
Richard H. Bryan (D)	702-784-5007	202-224-6244	202-224-1867
Harry Reid (D)	702-388-6545	202-224-3542	202-224-7327
NEW YORK			
Daniel P. Moynihan (D)	212-661-5150	202-224-4451	202-224-9293
Alfonse M. D'Amato (R)	212-947-7390	202-224-6542	202-224-5871
OHIO			
John Glenn (D)	614-469-6697	202-224-3353	202-224-7983
Howard Metzenbaum (D)	216-522-7272	202-224-2315	202-224-6519
OKLAHOMA			
David L. Boren (D)	405-231-4381	202-224-4721	
Don Nickles (R)	405-767-1270	202-224-5754	202-224-6008
OREGON			
Bob Packwood (R)	503-326-3370	202-224-5244	202-228-3576
Mark O. Hatfield (R)	503-588-9510	202-224-3753	202-224-0276
PENNSYLVANIA			
Harris Wofford (D)	215-597-9914	202-224-6324	202-224-4161
Arlen Specter (R)	215-597-7200	202-224-4254	202-224-1893
RHODE ISLAND			
Claiborne Pell (D)	401-528-5456	202-224-4642	202-224-4680
John H. Chafee (R)	401-528-5294	202-224-2921	202-224-7472
SOUTH CAROLINA			
Ernest F. Hollings (D)	803-765-5731	202-224-6121	202-224-3573
Strom Thurmond (R)	803-765-5496	202-224-5972	202-224-1300

	State Office	Washington Off	Fax
SOUTH DAKOTA			
Thomas A Daschle (D)	605-334-9596	202-224-2321	202-224-2047
Larry Pressler (R)	605-335-1990	202-224-5842	202-224-1630
TENNESSEE			
Jim Sasser (D)	615-736-7353	202-224-3344	202-224-8062
Harlan Mathews (D)	615-736-5129	202-224-1036	202-228-3679
TEXAS			
Kay Bailey Hutchison (D)	512-482-5839	202-224-5922	202-224-0776
Phil Gramm (R)	214-767-3000	202-224-2934	202-228-2856
UTAH			
Robert Bennett (R)	801-524-5933	202-224-5444	202-224-6717
Orrin G. Hatch (R)	801-524-4380	202-224-5251	202-224-6331
VIRGINIA			
Charles S Robb (D)	804-771-2221	202-224-4024	202-224-8689
John W Warner (R)	804-771-2579	202-224-2023	202-224-6295
VERMONT			
Patrick J Leahy (D)	802-863-2525	202-224-4242	202-224-3595
Jim M Jeffords (R)	802-223-5273	202-224-5141	202-224-8330
WASHINGTON			
Patty Murray (D)	206-553-5545	202-224-2621	202-224-0238
Slade Gorton (R)	206-553-0350	202-224-3441	202-224-9393
WISCONSIN			
Russ Feingold (D)	608-828-1200	202-224-5323	202-224-2725
Herbert H Kohl (D)	414-297-4451	202-224-5653	202-224-9787
WEST VIRGINIA			
Jay Rockefeller (D)	304-347-5372	202-224-6472	202-224-7665
Robert C Byrd (D)	304-342-5855	202-224-3954	202-224-4025
WYOMING			
Alan K. Simpson (R)	307-527-7121	202-224-3424	202-224-1315
Malcolm Wallop (R)	307-634-0626	202-224-6441	202-224-3230

Representatives

ALASKA			
Don Young (R)	907-271-5978	202-225-5765	202-225-0425
ALABAMA			
Sonny Callahan (R-1)	205-690-2811	202-225-4931	202-225-0562
Terry Everett (R-2)	205-277-9113	202-225-2901	
Glen Browder (D-3)	205-236-5655	202-225-3261	202-225-9020
Tom Bevill (D-4)	205-221-2310	202-225-4876	202-225-1604
Robert E. Cramer, Jr. (D-5)	205-551-0190	202-225-4801	202-225-4392
Spencer Bachus (R-6)	205-969-2296	202-225-4921	202-225-2082
Earl Hilliard (D-7)	205-752-3578	202-225-2665	202-226-0772
AMERICAN SAMOA			
Eni F.H. Faleomavaega (D)	684-633-1372	202-225-8577	202-225-8757
ARKANSAS			
Blanche Lambert (D-1)	501-972-4600	202-225-4076	202-225-4654
Ray Thornton (D-2)	501-324-5941	202-225-2506	202-225-9273

	State Office	Washington Off	Fax
Tim Hutchinson (R-3)	501-442-5258	202-225-4301	202-225-7492
Jay Dickey (R-4)	501-536-3376	202-225-3772	202-225-1314
ARIZONA			
Sam Coppersmith (D-1)	602-921-5500	202-225-2635	202-225-2607
Ed Pastor (D-2)	602-256-0551	202-225-4065	202-225-1655
Stump, Bob (R-3)	602-379-6923	202-225-4576	202-225-6328
Jon L Kyl (R-4)	602-840-1891	202-225-3361	202-225-1143
Jim Kolbe (R-5)	602-881-3588	202-225-2542	202-225-0378
Karan English (D-6)	602-774-1314	202-225-2190	202-225-8819
CALIFORNIA			
Dan Hamburg (D1)	707-462-1716	202-225-3311	202-225-7710
Wally Herger (R-2)	916-893-8363	202-225-3076	202-225-1609
Vic Fazio (D-3)	916-666-5521	202-225-5716	202-225-0354
Jon Doolittle (R-4)	916-786-5560	202-225-2511	202-225-5444
Robert T Matsui (D-5)	916-551-2846	202-225-7163	202-225-0566
Lynn Woolsey (D-6)	707-795-1462	202-225-5161	202-225-5163
George Miller (D-7)	510-602-1880	202-225-2095	202-225-5609
Nancy Pelosi (D-8)	415-556-4862	202-225-4965	202-225-8259
Ronald V Dellums (D-9)	510-763-0370	202-225-2661	202-225-9817
Bill Baker (R-10)	510-932-8899	202-225-1880	202-225-2150
Richard Pombo (R-11)	209-951-3091	202-225-1947	202-226-0861
Tom Lantos (D-12)	415-342-0300	202-225-3531	202-225-3127
Fortney (Pete) Stark (D-13)	510-635-1092	202-225-5065	
Anna Eshoo (D-14)	415-323-2984	202-225-8104	202-225-8890
Norman Y Mineta (D-15)	408-984-6045	202-225-2631	
Don Edwards (D-16)	408-345-1711	202-225-3072	202-225-9460
Sam Farr (17)		408-649-3555	202-225-2861
Gary Condit (D-18)	209-527-1914	202-225-6131	202-225-0819
Richard H Lehman (D-19)	209-248-0800	202-225-4540	202-225-5274
Calvin Dooley (D-20)	202-733-8348	202-225-3341	202-225-9308
William M Thomas (R-21)	805-327-361	202-225-2915	202-225-8798
Michael Huffington (R-22)	805-682-6600	202-225-3601	202-226-1015
Elton Gallegly (R-23)	805-485-2300	202-225-5811	202-225-0713
Anthony C Beilenson (D-24)	818-999-1990	202-225-5911	
Howard (Buck) McKeon (R-25)	805-254-2111	202-225-1956	202-226-0683
Howard L Berman (D-26)	818-891-0543	202-225-4695	202-225-5279
Carlos J. Moorhead (R-27)	818-247-8445	202-225-4176	202-226-1279
David Dreier (R-28)	818-339-9078	202-225-2305	202-225-4745
Henry A Waxman (D-29)	213-651-1040	202-225-3976	202-225-4099
Xavier Becerra (D-30)	213-550-8962	202-225-6235	202-225-2202
Matthew G. Martinez (D-31)	818-458-4524	202-225-5464	202-225-5467
Julian C Dixon (D-32)	213-678-5424	202-225-7084	202-225-4091
Lucille RoybalAllard (D-33)	213-628-9230	202-225-1766	202-226-0350
Esteban Edward Torres (D-34)	310-695-0702	202-225-5256	202-225-9711
Maxine Waters (D-35)	213-757-8900	202-225-2201	202-225-7854
Jane Harman (D-36)	310-348-8220	202-225-8220	202-226-0684
Walter Tucker (D-37)	310-783-5850	202-225-7924	202-225-7926
Steve Horn (R-38)	310-425-1336	202-225-6676	202-226-1012
Edward Royce (R-39)	714-992-8081	202-225-4111	202-226-0335
Jerry Lewis (R-40)	714-862-6030	202-225-5861	202-226-6498
Jay Kim (R-41)	909-988-1055	202-225-3201	202-226-1485
George E Brown, Jr. (D-42)	714-826-2472	202-225-6161	202-225-8671
Ken Calvert (R-43)	909-784-4300	202-225-1986	
Al A McCandless (R-44)	909-6561444	202-225-6330	202-226-1040

	State Office	Washington Off	Fax
NORTH DAKOTA			
Earl Pomeroy (D)	701-224-0355	202-225-2611	202-226-0893
NEBRASKA			
Doug Bereuter (R-1)	402-438-1598	202-225-4806	202-226-1148
Peter Hoagland (D-2)	402-344-8701	202-225-4155	202-225-4684
Bill Barrett (R-3)	308-381-5555	202-225-6435	202-225-0207
NEW HAMPSHIRE			
Bill H. Zeliff, Jr. (R-1)	603-669-6330	202-225-5456	202-225-4370
Dick Swett (D-2)	603-224-6621	202-225-5206	202-225-0046
NEW JERSEY			
Robert E. Andrews (D-1)	609-627-9000	202-225-6501	202-225-6583
William J. Hughes (D-2)	609-927-9063	202-225-6572	202-225-8530
Jim Saxton (R-3)	609-261-5800	202-225-4765	202-225-0778
Christopher H. Smith (R-4)	609-890-2800	202-225-3765	202-225-7768
Marge Roukema (R-5)	201-447-3900	202-225-4465	202-225-9048
Frank Pallone, Jr. (D-6)	908-571-1140	202-225-4671	202-225-9665
Bob Franks (R-7)	908-686-5576	202-225-5361	202-225-9460
Herbert Klein (D-8)	201-523-5152	202-225-5751	202-226-2273
Robert G. Torricelli (D-9)	201-646-1111	202-225-5061	202-225-0843
Donald M. Payne (D-10)	201-645-3213	202-225-3436	202-225-4160
Dean A. Gallo (R-11)	201-984-0711	202-225-5034	202-225-0658
Richard A. Zimmer (R-12)	609-895-1559	202-225-5801	202-226-0792
Robert Menendez (D-13)	201-222-2828	202-225-7919	202-226-0792
NEW MEXICO			
Steven Schiff (R-1)	505-766-2538	202-225-6316	202-225-4975
Joe Skeen (R-2)	505-622-0055	202-225-2365	202-225-9599
Bill Richardson (D-3)	505-988-7230	202-225-6190	202-225-1950
NEVADA			
James H. Bilbray (D-1)	702-792-2424	202-225-5965	202-225-8808
Barbara F. Vucanovich (R-2)	702-784-5003	202-225-6155	202-225-2319
NEW YORK			
George Hochbrueckner (D-1)	516-689-6767	202-225-3826	202-225-0776
Rick Lazio (R-2)	516-893-9010	202-225-3335	202-225-4669
Peter King (R-3)	516-541-4202-225	202-225-7896	202-226-2279
David Levy (R-4)	516-872-9550	202-225-5516	202-225-4672
Gary L. Ackerman (D-5)	718-423-2154	202-225-2601	202-225-1589
Floyd H. Flake (D-6)	718-949-5600	202-225-3461	202-225-4169
Thomas J. Manton (D-7)	718-706-1400	202-225-3965	202-225-1909
Jerrold Nadler (D-8)	212-489-3530	202-225-5635	202-225-6923
Charles E. Schumer (D-9)	718-965-5400	202-225-6616	202-225-4183
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Major Robert Owens (D-11)	718-773-3100	202-225-6231	202-226-0112
Nydia Velazquez (D-12)	718-599-3658	202-225-2361	202-226-0327
Susan V. Molinari (R-13)	718-987-8400	202-225-3371	202-226-1272
Carolyn Maloney (D-14)	212-832-6531	202-225-7944	202-225-4709
Charles B. Rangel (D-15)	212-663-3900	202-225-4365	202-225-0816
Jose Serrano (D-16)	212-538-5400	202-225-4361	202-225-6001
Eliot L. Engel (D-17)	718-796-9700	202-225-2464	202-225-5513
Nita M. Lowey (D-18)	914-428-1707	202-225-6506	202-225-0546
Hamilton Fish, Jr. (R-19)	914-297-5711	202-225-5441	202-225-0962
Benjamin A. Gilman (R-20)	914-343-6666	202-225-3776	202-225-2541
Michael R. McNulty (D-21)	518-465-0700	202-225-5076	202-225-5077

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Sherwood L. Boehlert (R-23)	315-793-8146	202-225-3665	202-225-1891
John McHugh (R-24)	315-782-3150	202-225-4611	202-226-0621
James T. Walsh (R-25)	315-423-5657	202-225-3701	202-225-4042
Maurice Hinchey (D-26)	607-773-2768	202-225-6335	202-226-0774
Bill Paxon (D-27)	716-634-2324	202-225-5265	202-225-5910
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John J. LaFalce (D-29)	716-284-9976	202-225-3231	202-225-8693
Jack Quinn, (R-30)	716-845-5257	202-225-3306	202-226-0347
Amo Houghton (R-31)	607-937-3333	202-225-3161	202-225-5574
OHIO			
David Mann (D-1)	513-684-2723	202-225-2216	202-225-4732
Rob Portman (2)	513-791-0381	202-225-3164	202-225-1992
Tony P. Hall (D-3)	513-225-2843	202-225-6465	202-225-6766
Michael Oxley (R-4)	419-423-3210	202-225-2676	202-226-1160
Paul E. Gillmor (R-5)	419-734-1999	202-225-6405	202-225-1985
Ted Strickland (D-6)	614-353-5171	202-225-5705	202-226-0331
David Hobson (R-7)	513-325-0474	202-225-4324	202-225-1984
John A. Boehner (R-8)	513-894-6003	202-225-6205	202-225-0704
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Martin Hoke (R-10)	216-356-2010	202-225-5871	202-226-0994
Louis Stokes (D-11)	216-522-4900	202-225-7032	202-225-1339
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Deborah Pryce (R-15)	614-469-5614	202-225-2015	202-226-0986
Ralph Regula (R-16)	216-489-4414	202-225-3876	202-225-3059
James Traficant, Jr. (D-17)	216-788-2414	202-225-5261	202-225-3719
Douglas Applegate (D-18)	614-283-3716	202-225-6265	202-225-3087
Eric Fingerhut (D-19)	216-943-1919	202-225-5731	202-225-9114
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Mike Synar (D-2)	918-687-2533	202-225-2701	202-225-2796
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Dave McCurdy (D-4)	405-329-6500	202-225-6165	202-225-9746
Ernest Jim Istook (R-5)	405-942-3636	202-225-2132	202-226-1463
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OREGON			
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Ron Klink (D-4)	412-864-8681	202-225-2565	202-226-2274
Bill F. Clinger, Jr. (R-5)	814-238-1776	202-225-5121	202-225-4681
Tim Holden (D-6)	215-371-9931	202-225-5546	202-226-0996
Curt Weldon (R-7)	215-259-0700	202-225-2011	202-225-8137
James Greenwood (R-8)	215-348-7511	202-225-4276	202-225-9511
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John P. Murtha (D-12)	814-535-2642	202-225-2065	202-225-5709
M. Margolies-Mezvinsky (D-13)	215-667-3666	202-225-6111	202-226-0798
William J. Coyne (D-14)	412-644-2870	202-225-2301	202-225-1844
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William F. Goodling (R-19)	717-843-8887	202-225-5836	202-226-1000
Austin J. Murphy (D-20)	412-489-4217	202-225-4665	202-225-4772
Thomas J. Ridge (R-21)	814-456-2038	202-225-5406	202-225-1081
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Floyd Spence (R-2)	803-254-5120	202-225-2452	202-225-2455
Butler Derrick (D-3)	803-224-7401	202-225-5301	202-225-5383
Bob Inglis (R-4)	803-232-1141	202-225-6030	202-226-1177
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James Clyburn (D-6)	803-799-1100	202-225-3315	202-225-2313
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John J. Duncan, Jr (R-2)	615-523-3772	202-225-5435	202-225-6440
Marilyn Lloyd (D-3)	615-267-9108	202-225-3271	202-225-6974
Jim Cooper (D-4)	615-684-1114	202-225-6831	202-225-4520
Bob Clement (D-5)	615-736-5295	202-225-4311	202-226-1035
Bart Gordon (D-6)	615-896-1986	202-225-4231	202-225-6887
Don Sundquist (R-7)	901-382-5811	202-225-2811	202-225-2814
John S. Tanner (D-8)	901-885-7070	202-225-4714	202-225-1765
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Charles Wilson (D-2)	409-637-1770	202-225-2401	202-225-1764
Sam Johnson (R-3)	214-739-0182	202-225-4201	202-225-1485
Ralph M. Hall (D-4)	214-771-9118	202-225-6673	202-225-3332
John Bryant (D-5)	214-767-6554	202-225-2231	202-225-9721
Joe Barton (D-6)	214-875-8488	202-225-2002	202-225-3052
Bill Archer (R-7)	713-467-7493	202-225-2571	202-225-4381
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Pete Geren (D-12)	817-338-0909	202-225-5071	202-225-2786
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Greg Laughlin (D-14)	512-576-1231	202-225-2831	202-225-1108
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Larry Combest (R-19)	806-763-1611	202-225-4005	202-225-9615
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Tom DeLay (R-22)	713-240-3700	202-225-5951	202-225-5241
Henry Bonilla (R-23)	210-697-9055	202-225-4511	202-225-2237
Martin Frost (D-24)	817-293-9231	202-225-3605	202-225-4951
Michael A. Andrews (D-25)	713-229-2244	202-225-7508	202-225-4210
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Solomon P. Ortiz (R-27)	512-883-5868	202-225-7742	202-226-1134
Frank Tejeda (D-28)	210-924-7383	202-225-1640	202-225-1641
Gene Green (D-29)	713-923-9961	202-225-1688	202-225-9903
Eddie Bernice Johnson (D-30)	214-922-8885	202-225-8885	202-226-1477
UTAH			
James V. Hansen (R-1)	801-625-5677	202-225-0453	202-225-5857
Karen Shepherd (D-2)	801-524-4394	202-225-3011	202-226-0354
Bill H. Orton (D-3)	801-379-2500	202-225-7751	202-226-1223
VIRGINIA			
Herbert H. Bateman (R-1)	804-873-1132	202-225-4261	202-225-4382
Owen B. Pickett (D-2)	804-486-3710	202-225-4215	202-225-4218
Robert C. Scott (D-3)	804-380-1000	202-225-8351	202-225-8354
Norman Sisisky (D-4)	804-393-2068	202-225-6365	202-226-1170
Lewis F. Payne, Jr. (D-5)	804-792-1280	202-225-4711	202-226-1147
Bob Goodlatte (R-6)	703-342-1470	202-225-5431	202-225-9681
Thomas J. Bliley, Jr. (R-7)	804-771-2809	202-225-2815	202-225-0011
James P. Moran (D-8)	703-971-4700	202-225-4376	202-225-0017
Rick Boucher (D-9)	703-628-1145	202-225-3861	202-225-0442
Frank R. Wolf (R-10)	703-734-1500	202-225-5136	202-225-0437
Leslie Byrne (D-11)	703-750-1992	202-225-1492	202-225-2274
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VERMONT			
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Al Swift (D-2)	206-252-3188	202-225-2605	202-225-2608
Jolene Unsoeld (D-3)	206-696-7942	202-225-3536	202-225-9095
Jay Inslee (D-4)	509-452-3243	202-225-5816	202-226-1137
Thomas S. Foley (D-5)	509-353-2155	202-225-2006	202-225-7181
Norman D. Dicks (D-6)	206-593-6536	202-225-5916	202-226-1176
Jim McDermott (D-7)	206-553-7170	202-225-3106	202-225-9212
Jennifer Dunn (R-8)	206-450-0161	202-225-7761	202-225-8673
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Nick Joe Rahall II (D-3)	304-252-5000	202-225-3452	202-225-9061
WYOMING			
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The only way your elected servants will know how you feel about NAFTA is for you to tell them. The following page contains forms which you can fill out, detach, and send to your elected servants to let them know that you are informed and you want your voice heard.

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Washington, D.C. 20510

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Senator ____________________
Washington, D.C. 20515

If you prefer to fax your opinion to your Members of Congress, see Appendix B for a listing of fax numbers.

Together our voices will be heard.

The New York Times
on
Mexico's NAFTA Lobbying Campaign in the United States

The Salinas administration and its many lobbyists in Washington have fashioned what appears likely to be one of the most elaborate efforts at political persuasion ever conducted in America by a foreign country.

The New York Times, August 12, 1993

☐ **I Support NAFTA**
☐ **I Oppose NAFTA**

☐ **I Support NAFTA**
☐ **I Oppose NAFTA**

☐ **I Support NAFTA**
☐ **I Oppose NAFTA**

Your Name

Address

Telephone

Your Name

Address

Telephone

Your Name

Address

Telephone

UNITED WE STAND AMERICA

A nonpartisan effort involving citizens in their local, state, and federal government.

A nationwide educational movement that will keep you informed on important issues facing our country.

A nonprofit organization dedicated to bringing about the necessary reforms in our nation's economy, government and election laws.

You Can Make A Difference!

United We Stand America gives you the opportunity to have an impact on the critical issues facing our country. We are focused on:

Reforming Government

Political reform must begin with implementing the line item veto, limiting the role of the lobbyists, and eliminating special privileges for elected servants paid for with taxpayer dollars.

Balancing the Budget

The interest on the national debt is now the third largest expenditure of the federal government. Since 1981, the national debt has increased an average of $1 trillion every four years.

UNITED WE STAND AMERICA Members Receive:

- A personalized membership card.
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First   M.I.   Last

Please enroll family members on reverse side.

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☐ Enclosed is my $15 annual fee. $ ______

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☐ $50   ☐ $30   ☐ $15   ☐ Other $ ______

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TOTAL $ ______

☐ Enclosed is a check for the total made payable to: UNITED WE STAND AMERICA

☐ Please charge the total to the credit card I have indicated below:

☐ Visa   ☐ MasterCard   ☐ Discover   ☐ American Express

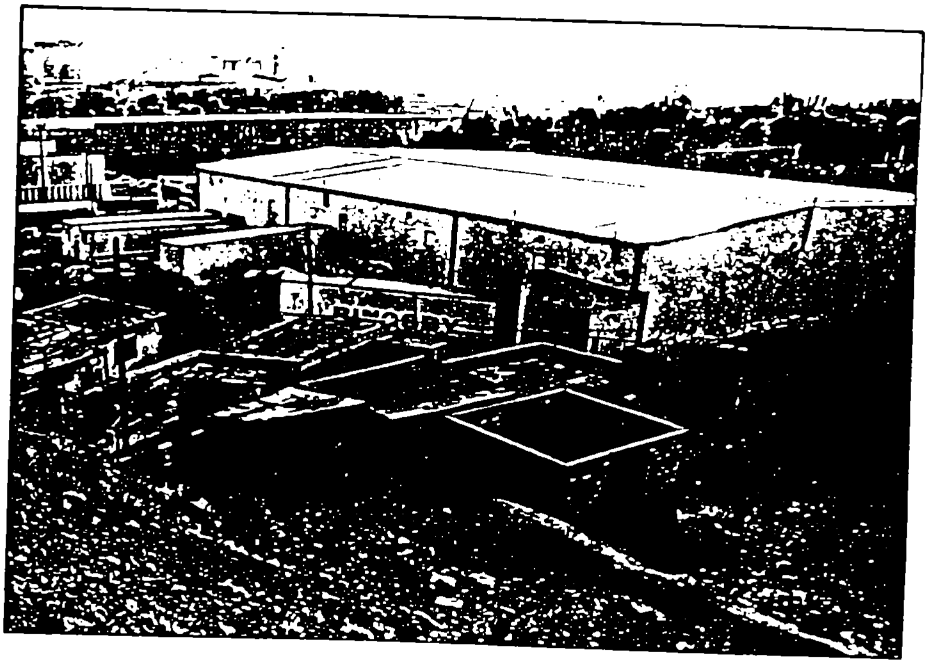
Credit Card #   Exp. Date

|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|_|

Signature ______________________________

Mail to: United We Stand America, P.O. Box 6, Dallas, TX 75221-0006.
If you would like to join by phone, call 214-960-9100.

Contributions and membership fees are not tax deductible, nor will they be used to defray any expenses of the Perot '92 Campaign.



Supposedly, American and Mexican workers have virtually the same rights. In reality, they do not.

- American workers have minimum wage structures that can provide a basic living. Mexican workers do not.
- American workers have health and safety protections. Mexican workers do not.
- American workers have child labor protections. Mexican workers do not.
- American workers have the right to bargain collectively. Mexican workers do not.

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