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September 21, 1993

MEMORANDUM

To: George Stephanopoulos  
David Gergen  
Mark Gearan  
Paul Tobac  
Michael Waldman  
From: Ann Walker and Dan Meyer  
Subj: DEBRIEF ON GEPHARDT PRESS CONFERENCE, NPC

- ✓ Today at the National Press Club, Representative Gephardt's announced opposition to the current NAFTA terms was packed with media and Washington personalities. I counted eight (8) rolling cameras ABC, CBS, NBC, CSPAN, Canadian, and Mexican networks; six (6) still cameras including several freelancers for the environmental press; and 11 microphones one of which was NPR. Dellums, Obey, Levin and several others members were also present. One may have been Eva Clayton (D-NC) and the other possibly Sherwood Boehlert (R-NY).
- ✓ Representative Gephardt read, via teleprompter, a fourteen (14) page restatement of his position. The concise thesis is that while significant environmental concerns have been addressed, labor in both Mexico and the United States is poorly served by this trade agreement. As a high standard of living is the primary goal of the government, an agreement that lowers the standard of living of the working class in both nations is unacceptable.
- ✓ Representative Gephardt repeatedly mentioned that his opposition is to the agreement as it now stands. And though he seemed to hold out the hope of a "NAFTA Done Right," he was pessimistic given his recent "discussions with the Administration."

- ✓ The questions that followed his reading of the enclosed text centered on:
  - ( 1 ) Was there room for him to negotiate with the president?  
(4 questions)
  - ( 2 ) Was he aware of the damage he was doing to the POTUS?  
(2 questions)
  - ( 3 ) Was he, in a cloaked manner, asking for a reopening of the agreement?  
( 2 questions).
  - ( 4 ) Was he aware that not passing the agreement was a condoning of the existing problems on the border? (2 questions asked by the Mexican and the Canadian press.)
  
- ✓ Gephardt's response asserted that
  - ( 1 ) There is always room for negotiation and he did want to see a "NAFTA done right."
  - ( 2 ) Issues are not linked in Washington. Both health care reform and the president would survive a loss on NAFTA.
  - ( 3 ) As for condoning the miserable status quo, the critical question one has to ask before deciding on this issue was whether the working class in Canada and Mexico were better off with, or without, NAFTA.

Under the existing terms, Gephardt reaffirmed that his conscience dictated "without."

NEWS FROM THE HOUSE MAJORITY LEADER

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For Release Upon Delivery  
September 21, 1993

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

Speech on the  
North American Free Trade Agreement  
delivered to the National Press Club

I'm happy to appear before you today. I have come to discuss something which seems to be the subject of the week in Washington, but which has been a major subject of concern for me for several years.

In fact, for more than three years, I have been outspoken on the North American Free Trade Agreement negotiations. I have travelled to Mexico on seven separate occasions. I have written numerous letters -- both public and private -- to President Bush and to President Clinton and to their Administrations on this important issue.

From the start, I said that I would make my decision on one basis and one basis alone -- that the only decision that I could justify was one based on the substance of the Agreement. My bottom line test was whether or not I was convinced that the final NAFTA would be a force for progress in all three countries. I have reached a decision, and I am here to state it and explain it.

Despite the best efforts of President Clinton and his Administration to remedy the flaws in the Bush negotiated NAFTA, the Agreement is not a sufficient force for progress. So today, I am announcing that I will vote against this NAFTA.

The issues are too important and the stakes too great to pass a deficient NAFTA. And, no NAFTA is preferable to a deficient NAFTA. Once approved, we will not have the opportunity to easily revisit this issue.

No member of Congress is unaware of the importance of the vote we will all cast on this issue. It is a decision of great consequence. So I have tried to take great care in making it.

Unfortunately, for a number of reasons, this NAFTA falls short. Others will disagree: I respect their views. At the same time, I hope that they will respect mine. The basis of democracy is open, honest debate. In fact, our democracy is strengthened by our ability to weather debates such as the one our country is going through.

## What Should Our Goal Be?

I believe we should begin this debate with a premise: in economic affairs our guiding national goal should be a high and rising standard of living, and a long-term policy of ensuring better jobs at better wages.

This may sound obvious, but too many policy debates don't set this basic goal at the outset. Without a strong economy, America cannot lead. Not only because of limited resources, but because of limited resolve. The American people are right to ask their representatives to put their interests first. At the same time, America has a conscience. We are a community, and part of a larger community. Being self-interested does not have to mean being selfish. From Bosnia to Mexico to Somalia to other areas around the world, America can continue to lead. But our capacity depends not just on our moral strength, but on our economic strength.

As David M. Potter, author of People of Plenty said, we conceive "of democracy as an absolute value, largely ideological in content and equally valid in any environment, instead of recognizing that our own democratic system is one of the major by-products of our abundance, workable primarily because of the measure of our abundance."

In sum, the first thing we must do is agree as a society that our prime goal is a high standard of living. For the past 12 years that goal has shared equal billing with others like free trade, private markets, social justice, lack of government interference or an unwillingness to offend allies. But we cannot achieve our best hopes in the wider world unless we first do our best for our people.

Under this Agreement, we will not be doing the best for our people -- we will reduce our abundance. By not addressing key issues, like water, our wages and our standard of living will seek its own level. And, drawn down by the lower wages in Mexico, our standard of living will continue to stagnate or decline.

We face great challenges in this global economy. Indeed, Mexico is not the only competitor we face with highly productive, quality oriented productive capacity and low wages. Thailand, China and other countries all pose enormous competitive threats to our standard of living.

But there is an important difference: We are not seeking to complete a free trade agreement with these countries. By promoting freer and more open trade with Mexico -- with the changes they will make in their own laws -- we are going to stimulate investment in their country. That's why Mexico supports the Agreement. Mexico also has the tremendous advantage of a common border with our country that makes the integration that much more attractive, and threatening. We want a healthier Mexican economy, but not at the expense of our own.

And, we need to recognize that we must get it right in this Agreement, both for what it means to us on its own and because Chile and other countries are waiting in line for similar agreements. They will expect that the NAFTA will be airdropped into place for quick ratification. This Agreement has repercussions beyond its current scope.

Numerous studies have been conducted on the effects of the NAFTA in terms of jobs. Those who support the Agreement, will say that every "reasonable" study shows net job gains. And those who oppose the Agreement will say that every "reasonable" study shows net job losses.

I am as concerned as anyone with job losses -- whether they be net or gross. A lost job should not simply be an economic debating point. To the person who loses that job, the consequences are devastating.

But, change will occur whether we like it or not. We are losing good paying jobs and that will continue with or without a NAFTA.

The much greater threat is to our wages and our standard of living. And, on this important point, there can be no doubt that the NAFTA, as drafted, will only increase the downward pressure.

In short, the goal that I outlined earlier -- a high and rising standard of living, and a long-term policy of ensuring better jobs at better wages -- won't be achieved under this Agreement. On the contrary, this Agreement will undermine that goal.

And, all of the goals that we share with regard to Mexico -- proponents and opponents alike -- that it, too, be a strong nation, with a rising standard of living, will not be possible if our own economic strength is put at risk. For the ability to share our wealth with others, our ability to promote progress around the globe, our ability to offer democratic opportunity to the people of all nations depends and, indeed, is rooted in our economic strength.

This Agreement undermines the very roots of outwardly directed foreign and economic policies.

### What A Good NAFTA Would Do

*cut a net*

In March of 1991 I wrote a lengthy letter to President Bush outlining the yardstick against which I would measure any NAFTA. Since that time, while I have offered proposals to help measure the result, I have refused to make that standard either more or less difficult. Since that day, I have consistently and persistently advocated the only kind of policies which I believe would allow us to integrate our three economies -- Mexico's, Canada's and the United States' -- while increasing growth and opportunity in each.

As I wrote President Bush,

"I want the Mexican economy to flourish and grow. Relying on low wages and unsafe working conditions as comparative advantages to lure away high-paying American jobs will not save the Mexican economy -- but it will further weaken the American economy. In order for Mexico to prosper, America must prosper. So for a free trade agreement to be of meaningful benefit to both nations, it must contain provisions that will stem any hemorrhage of American jobs across the border.

"For that reason I request that you not limit the talks to what used to be traditionally, known as "trade issues" -- tariffs, trade-related investment restrictions, dispute resolution and the like -- but rather that we address North American Free Trade systematically.

"To do so will require discussing issues like transition measures, wage disparity, environmental protection and worker rights."

While I was doubtful that President Bush would negotiate an agreement that would win my support and, in an ironic way, he didn't let me down, I voted for fast track authority because I thought NAFTA, done right, would be in our best interests.

Free trade is an important and ongoing project. But, theory and reality are often different. Many have argued for the Agreement based on economic theory, as if that theory had the force of defined and indisputable dogma. Unfortunately, most economists haven't taken the time to travel to Mexico and see what's happening on the ground.

In Mexico, I have met twice since the beginning of negotiations with President Salinas. I have met numerous times with members of his cabinet. I applaud President Salinas' commitment to his people. When I had dinner with the President, he talked about the results of the Solidaridad program that has brought electricity, water and dignity to many communities. I have seen change on the ground. But, much, much more needs to be done.

On both sides of the border I have seen families forced to live in squalor -- in homes with cardboard walls, dirt floors and roofs made from scrap wood and metal.

Poverty is always cruel, but for these workers, it is especially tragic. They work in some of the most advanced manufacturing plants in the world. While they use computerized machinery on the job, they don't have water they can bathe in, let alone drink, off the job.

They build some of the most sophisticated TV sets in the world, yet their homes are, at times, built from the packing materials.

I have talked to workers who have moved from the interior of Mexico seeking a better life, then to find that they are forced to live or barely live on subsistence wages. I have talked to workers who have been fired for trying to form a union. I have walked through plants and seen safety violations that jeopardize the health and welfare of everyone there. I have seen the inside of barracks where hundreds of young Mexican workers are forced to live, through economic necessity, virtually on top of one another with no privacy, no dignity and no real future.

Mexico is a great nation with strong, determined, admirable people who deeply deserve change and progress no less than our people.

A NAFTA, done right, could be a force for progress in all these areas and in all three countries. It could increase growth and opportunity for workers. It could provide a basis for cleaning up environmental degradation, and protect against future problems. It could be the basis for a hemispheric wide trading community that would enhance our ability to compete with any nation or trading bloc. It could add tremendously to the synergy of trade by developing new efficiencies of production.

It is on these important issues that the Bush Administration fell flat on its face. They did not understand, as President Clinton did, that addressing labor and environmental issues was essential to a successful NAFTA. I commend President Clinton for the vision he has shown -- as no President before him has -- and the diligence with which he has pursued it since his campaign speech last October.

What are the causes and effects of the challenge he set out for himself?

Mexican wages are kept artificially low because of the actions, and inactions, of the government. Government rules and procedures set both minimum wages and maximum wage increases for the vast majority of hourly workers in their manufacturing industries. And they have kept these wages low to help their economy grow. They have sought to combat inflation and to attract investment from companies seeking low wage labor as the way to cut costs.

Mexican wages must rise -- because it is the right thing for the people. They must also rise because we want to make them better consumers of Mexican *and* U.S. products. And, if their wages don't rise, the downward pressure on our wages will continue.

Official data from the Mexican Government tell the story best. Since 1980, real hourly compensation has fallen by 32% in Mexico, while manufacturing productivity has increased by more than 30%. Economists tell us that wages should roughly track productivity increases. Yet, Mexican workers are producing more, and getting less.

What does this mean to a Mexican family? The flip side of low earnings is low purchasing power. A survey conducted early this August showed that a worker would have to work about an hour to buy a half-gallon of milk, two and a half hours for a pound of beef, almost an hour for a dozen eggs and almost two hours for baby formula. In other words, workers are finding that they work simply to eat. The chance of a better life is simply out of reach.

After spending countless hours reading and examining this Agreement and studying this issue, I truly believe that this Agreement falls short in terms of reaching the goal I've outlined.

There are a number of reasons for that.

### Why This NAFTA Is Deficient

Does this NAFTA do enough to ensure that while companies may be attracted to Mexico's high quality labor force or lower wage structure, we have done all that we can to eliminate artificially low wages in Mexico?

The answer, unequivocally and undeniably, is no. In the area of labor, this NAFTA is actually worse than the status quo for two reasons.

Under the NAFTA the Mexican Government refused to allow industrial relations -- the right to strike, the right to bargain collectively and the right to freely associate -- to be covered under the dispute resolution procedures of the free trade Agreement. This is a glaring and critical omission. It is equivalent to an environmental agreement that excludes air and water.

What the Mexican Government has said is that they are unwilling to allow oversight of whether they are enforcing their most important labor laws. We're not talking about imposing U.S. labor laws on Mexico. I simply want them to enforce their laws.

Mexico's laws are actually quite good. Their Constitution provides basic labor law protections. It includes family and medical leave. It includes striker replacement limitations.

But, you can have the best laws on the books-- and if they aren't enforced, they aren't worth much. That's the case in Mexico. The largest union federation -- which covers the vast majority of workers, acts as a quasi-governmental entity. Each year they enter into what is known as "El Pacto" that sets minimum and maximum wages.

A conscious decision has been made in Mexico to keep wages artificially low to continue to attract investment. That hurts their people. It also hurts our people by attracting our jobs to Mexico and putting downward pressure on our wages and by preventing Mexicans from becoming good consumers of our products.

The second reason why NAFTA is worse than current law is that Mexico currently is a beneficiary of the Generalized System of Preferences program -- known as GSP. In short, what this means is that we grant duty-free access on hundreds of products to help stimulate economic growth in Mexico. At the same time, we impose a number of conditions on this concession.

One of the key conditions of GSP is that a beneficiary must afford their workers internationally recognized worker rights -- the right to strike, the right to organize and the right to freely associate.

At this point, the leverage of the GSP appears to have been lost because the Administration has not decided to retain it. I hope that in drafting the NAFTA they decide to keep the leverage of GSP on labor rights, and commit to use it aggressively as a tool to force Mexico to live up to its laws.

So, passing this NAFTA will ratify and even worsen the status quo.

Economists argue that open trade will help. There is no evidence that trade has helped to really address the problems in Mexico. Wishful thinking is no substitute for using the major opportunity for integration of our generation as a force for progress on the most important fundamental problems facing the U.S. and Mexico.

Some will say that this Agreement will truly be effective. They believe that sunshine, open markets and growth in the long term will raise Mexican wages and living standards. That's the curious thing about this Agreement. It seems to me that every time someone doesn't have an answer to a problem they point to the long-term. The long-term, invoked in that way, is not a point in time, but a debating point -- and a day that may never come.

Where is the proof? What are the forces that will convert present losses in jobs and present lowering of wages into sweeping future progress? Why should we believe that the process will raise Mexico's standards, and not lower ours -- so that in the end, our wage rates meet in the middle, -- in the long-term, of course? The evidence is that in the last decade, where free trade has largely existed in the maquiladora program, wages have fallen.

This is not the long term that I want for the United States of America.

Mexico at least made an effort on the environment during the negotiations. We saw a number of high profile enforcement activities. They closed a refinery in Mexico City. They conducted an environmental enforcement effort on the border.

But, in the area of labor law, Mexican officials did not even make a good faith effort at change; instead they showed that the status quo will continue. They arrested and confined Don Agapito, a Mexican labor leader who was fighting for higher wages in Matamoros. They helped break a strike at the Volkswagen plant. At no time did they show a genuine commitment to carry out their own labor laws on behalf of their workers.

President Clinton did achieve some important progress -- child labor and health and safety are to be covered under the dispute settlement system.

The Mexicans agreed, in the closing hours of the negotiations, to allow minimum wages to be subject to dispute resolution. In addition, they also appear to have agreed -- unilaterally, and therefore the concession is not subject to our review -- to tie minimum wages to productivity.

This is a step in the right direction and from the Mexican point of view, a big step. But in the manufacturing sector -- where we face the greatest competitive pressure -- few workers actually work at the minimum wage. Thus, their actions will do little to reduce the pressure on our jobs and standard of living. The real issue is wages in the export sector and average wages, not minimum wages.

As you well know, despite increasing our minimum wages, our average wages have fallen. According to data from the Bureau of Labor Statistics, real average hourly earnings have dropped by almost sixty cents between 1980 and 1992. That's despite an increase in the minimum wage of \$1.15 per hour.

So, you have two problems in Mexico: On the one hand, you have workers who aren't able to exercise internationally recognized workers rights; on the other hand, you have the government setting both minimum wages and maximum increases for many workers. The space in between has become an economic vise.

The result in Mexico is that you've got workers whose hands are tied behind their backs except when they're working on the government's terms. Even if they were to be granted greater rights, the right to organize, bargain collectively and freely associate, they would be limited through the wage setting mechanism.

We want to help Mexico raise its' standard of living because it is the right and smart thing to do. We want to make Mexicans better consumers of our products. We want to reduce the downward pressure on our wages. We want to increase jobs, not lose them.

This Agreement won't do that. The Agreement fails to satisfy the most important challenges a NAFTA faced -- getting Mexican average wages up through the present system or creating a new open system, or both.

Let me also talk about an issue that is of increasing importance here in the U.S. -- immigration. Some would have you believe that the Agreement would help. But in fact, according to a number of responsible studies, illegal immigration is expected to increase in the short-term.

Mexican farmers, who have a low efficiency of production as compared to ours, will find they can't live off the land, and they will move to industrial areas -- principally the border region. While industrial growth is expected to increase in this area, it won't be able to increase fast enough to accommodate all of those seeking work. The only choice then will be to cross the border, as free trade leads to free immigration.

I've talked to Mexican workers about this issue. They don't want to cross the border, but economic conditions force them to. The best solution to the problem of immigration is increasing the standard of living in Mexico -- and again, this Agreement doesn't do enough.

Let me turn now to the important issue of the environment. From now on, environmental issues will always have a place on any trade negotiating agenda.

For we can and must use the leverage of our marketplace and access to it as an incentive to clean up the land, air, and water of this earth. We do a disservice to our people and people everywhere if we fail to pursue sustainable development policies. No nation, developed or lesser developed should be encouraged to poison the future in order to pay for false progress or prosperity. We need to understand that without pressure, environmental protection can be seriously damaged in the quest for economic growth. There is profit in pollution -- unless we help to stop it.

Environmental degradation on both sides of the border has had a tremendous impact on our people's health.

In terms of border cleanup, the status quo may become better under the environmental portion of the NAFTA, but only marginally so. And, the NAFTA will certainly not live up to expectations. The financing mechanism that has been developed includes no assured source of funding -- it will be forced to compete against education, crime and other demands on our budget. Creative financing has existed for years, as has bonding authority in the border states. ~~The real issue is not whether you know how to deliver money, it's whether you can find it in the first place, and whether you have the resources to pay it back in the long term.~~ This Agreement will do little to address this problem. And, there is no integrated border plan to require that the cleanup occur.

But, the need for border cleanup, at its core, is the result of lax enforcement of environmental laws in Mexico. On the books, the laws look quite good. But they aren't adequately enforced.

The enforcement regime the negotiators agreed to, which also applies to certain labor issues, follows a tortuous route. While it includes a trade sanction at the end of the day, one must get the consent of another party to even proceed with a case, and the sanction is essentially intended just as a collection mechanism for the fine.

Let's recognize that imposing a trade sanction means that the system has failed -- that a country isn't enforcing its laws. But, the more accessible a trade sanction is, the more likely that enforcement will occur: Under the scheme the negotiators decided upon, sanctions may never be available.

We've got to address the environmental issue for the sake of people's health on both sides of the border and the future of our environmental assets.

But, we've also got to address the lax environmental enforcement problem in Mexico because of the economic impact it has on our people.

We need to understand that low environmental standards and lax enforcement can create a competitive advantage. It has been documented that U.S. companies have gone to Mexico to avoid environmental laws here. That is unacceptable. We must not allow countries to auction off their environmental assets to attract our jobs.

As I have said on countless occasions, I will not support an Agreement that isn't paid for. There needs to be a guaranteed stream of funding for the NAFTA.

The funding needs associated with NAFTA are substantial.

First, the Administration must replace up to \$3 billion in tariff revenues that will be lost under the Agreement. Under our budget rules, these funds will have to come from spending cuts or from higher taxes.

Second, the Administration needs to find a guaranteed funding source for border cleanup, an issue I've already discussed.

A third component is paying for the training and retraining needs of our workers. Addressing this issue is vital.

We need a *triggerless* training system that doesn't require workers to prove why they are dislocated, but allows them simply to establish that they are dislocated. A reasonable program should include training, income support and placement services.

Our workers are skeptical that the money will be available for training and retraining and they are right. Commitments have been made in the past, and then funding has been shamefully inadequate. In fact, Ronald Reagan proposed "zeroing-out" funds for Trade Adjustment Assistance in one budget proposal. Workers are entitled to help. While I know that the Administration is committed to helping these workers, they have yet to find a funding source.

There are other fiscal needs that must be met. New border crossings must be built. Additional Customs inspectors and Border Patrol officers must be hired.

I believe that ultimately the total cost of NAFTA will be between \$30-40 billion over the next ten years, of which \$6 billion or more must come from the federal budget over the next five-years. And, if the states can't pay their fair share, the federal cost may be higher.

It's important to step back and understand that there are some very real transitional costs -- and these issues shouldn't be swept under rug.

We should learn a lesson from the integration efforts of the European Community. This year alone they will spend almost \$25 billion on transition needs -- most of it going to the lower-wage countries of Spain, Portugal and Greece. Since 1986, Europe has spent more than \$120 billion on integration. And, that is the cost of constructing a free market with countries whose standard of living is much closer than that of the U.S. and Mexico.

I proposed a cross-border transaction fee as one approach to paying for the costs of the Agreement. To date, no one has offered a better idea. As the New York Times said of this proposal last year, "(a)sking traders to pay some of the costs of the trade agreement is a tolerable price for Congressional approval."

The logic and politics are compelling. It seeks, in a rough sense, to ask the beneficiaries of trade to pay for the costs. For the truck driver I met on the border who waited 26 hours to cross, the fee would be used to help build new roads and border crossings. Certainly, there are substantial opportunity costs involved in that 26 hour wait as well as the pollution that results from idling that entire time.

It would also build political support by not forcing NAFTA-related costs to compete directly with other programs in the budget: education, crime prevention, health care and others. At the end of the day, this may be one of the toughest problems to solve.

We must stop spending all of our time deciding how to spend money and start giving proper attention to how we are going to raise the money.

Last year I spoke out on the Bush-NAFTA and said that I did not believe that it was good enough. At the same time, I supported then-Governor Clinton's call for supplemental agreements because I wanted to support a NAFTA.

In supporting Governor Clinton's position, I reluctantly agreed that I would support the basic agreement if he could address the problems left unresolved -- the effects on the environment, jobs and wages.

There are a number of other problems, all of which are important, that also have been largely ignored.

Any benefits of the NAFTA can be quickly reduced if Mexico decides to devalue the peso. I asked that this issue be addressed through discussions between our two governments. To date, I am unaware of any agreement in this area.

The political system in Mexico continues to need reform. We need to press for continued change in this important area, including fair elections in 1994.

During the upcoming debate, so-called "facts" will be used by each side to sell their position. Let me take a minute to dispute two of the points the proponents are using to herald the benefits of NAFTA.

First, the proponents say that the average Mexican buys \$450 of U.S. goods. This is simply false. The real number is closer to \$60, in terms of direct consumer purchases, unless you believe that the average Mexican is buying robot welders for his home or large industrial equipment. And \$21 billion that are claimed as exports are really products we ship to maquiladoras and export plants for inclusion in products sent right back to us.

Second, supposedly 700,000 jobs are created by the exports we ship to Mexico. Again, the proponents are wrong. As Harley Shaiken, a visiting professor at the University of California, Berkeley says, "At least 360,000 of these jobs, however, produce parts which might be classified as 'industrial tourists': They are shipped from U.S. factories to Mexico, assembled into finished products, and then immediately shipped back to the U.S." The real number of U.S. jobs related to U.S. exports is closer to 330,000 at most, according to Professor Shaiken. It's important to recognize that in the short time since President Salinas requested a free trade agreement, tens of thousands of new jobs have been created in maquiladoras -- plants who ship the bulk of their products to the U.S. market.

*Shaiken's  
Debate*

## Just Saying No Shouldn't Be the Only Option

My support for a NAFTA continues.

I want the political and economic reforms in Mexico to continue. I want the Mexican economy and people to prosper. I want to support an effort at creating a hemispheric trade block. I look toward a better future, not an unacceptable past.

But, for the reasons I have outlined, I can't support this NAFTA.

The Agreement isn't sound, and our economy isn't ready for it. In fact, the greatest failures in the Agreement could exacerbate our worst economic problems: disappearing jobs and declining real incomes. Against the economic backdrop of the last 12 years people are right to be concerned about the future.

President Clinton is helping to change that. Regardless of what the President's opponents think of his deficit reduction plan, they must acknowledge his courage and resolve in pushing it through. Interest rates have continued to decline. Each month, homeowners, consumers and businesses save billions through lower interest costs -- money that can help restore economic growth.

Bill Clinton is also committed to a skills strategy that will ensure that our workers can compete against the world.

But restoring economic growth and upgrading skills will take time.

The NAFTA that is before us fails to provide this needed transition.

Members of Congress who are opposed to this NAFTA aren't protectionists. We aren't against Mexico. We simply believe that passing a NAFTA that fails to insure sensible Mexican wage increases and that provides no guaranteed funds for necessary structural adjustment during integration is worse than no NAFTA at all.

As Jorge Castaneda said in his recent Foreign Affairs article, without these provisions we are "missing an excellent opportunity to attack the key obstacle to Mexico's development."

I believe that there is a way both to promote growth in Mexico and to promote growth here.

We should take a chapter out of the European Community's integration efforts. Before prospective nations such as Spain, Portugal and Greece were allowed to join the EC, they were required to initiate reasonable political and economic reforms.

I believe we could follow a similar course. We should ask Mexico to enforce its own laws so that our companies aren't lured away by the possibility of profit through inadequate environmental codes or insufficient worker protections. We should seek specific political and economic reforms in Mexico.

We should cooperatively clean up the border region and produce assured revenues to accomplish it.

We should require our companies to set an example in Mexico -- by adhering to a Code of Conduct -- much like the Chemical Manufacturers Association has already adopted.

How would Mexico benefit? We could unilaterally reduce tariffs on Mexican products by 10% a year as long as continued progress on these issues is achieved. After this period, we could enact a NAFTA that would promote economic growth and benefit ordinary people in all three countries.

During this period, we would continue the reforms that are necessary in our country. We would allow the Clinton Economic program time to work, thereby restoring growth and opportunity. We would be able to put in place a comprehensive training program that would ensure our workers that if they are displaced, there is hope for a brighter future.

#### **Conclusion:**

Since day one, I have been clear about what I believed a successful NAFTA must achieve to be a real force for progress. I respect the decision of those who want to support the Agreement that will soon be before us. I hope that they will respect my decision, and that of others, who truly believe that this Agreement is not the best that we can do.

There are those who will argue the merits of this agreement based on economic theories. I'm more interested in economic reality. The reality is that the nature of Mexico's economic and political system is such that workers will be asked to bear the burden of an Agreement that doesn't address the most important issues. The reality is that the Agreement could have achieved more to be a force for progress.

To those who say that opposing the present Agreement will simply leave us with the status quo, I say that the process doesn't have to be over. Chairman Arafat and Prime Minister Rabin showed us clearly that people of will, persistence and vision can accomplish anything.

To those who say that on balance, at some future time, under certain conditions, the problems unsolved in the Agreement will be solved, I say why leave it to promises, good wishes and chance? Don't our people deserve better?

President Clinton knows of my support for him and his Administration in other areas. I helped him achieve success on his economic plan, and I will be there by his side on health care, education, Russian aid and countless other issues. On this issue, as it stands, however, I must part company.

Now is the time for an open, honest debate. I will participate actively in this debate. I will engage those who argue this Agreement is the best that we could achieve. We could, and we can, do better.

As Thomas Jefferson said, "reason and free inquiry are the only effectual agents against error."

Let the debate begin.

(30)

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SIGNING OF NAFTA SUPPLEMENTAL ACCORDS  
September 14, 1993

It is a distinct honor for me to be joined by my predecessor, President George Bush, who took the major steps in negotiating a free trade pact; President Jimmy Carter, whose vision of hemispheric development animates our efforts; and President Gerald Ford, who has argued cogently for free trade and whose counsel I value. These men -- differing in party and outlook -- join us today because we all recognize the stakes for our nation.

Yesterday, we saw the sight of an old world dying, and a hopeful new one being born. Peoples who for decades were caught in a cycle of war and frustration, chose hope over fear.

Today we turn to face the challenge of change in our own hemisphere.

In a few moments, I will sign three agreements that will complete our negotiation with Mexico and Canada to create a North American Free Trade Agreement, NAFTA. In coming months, I will submit this pact to Congress for approval. It will be a hard fight, but I will be there every step of the way. We will make our case as hard and as well as we can. And I know we will win.

Let me say at the outset: NAFTA means jobs -- good paying, American jobs. If it didn't, I wouldn't support it.

\* \* \*

As President, it is my duty to speak frankly to the American people about the world in which we now live.

Fifty years ago, at the end of World War II, an unchallenged America was protected by the oceans and our technological superiority. We chose to create a new world of free trade. As a result, global trade grew from \$200 billion in 1950 to \$800 billion in 1980. And the American middle class grew and prospered as a result.

Ours is now an era in which commerce is global and capital is mobile. Factories or information can flash across the world in the flicker of a computer screen. For two decades, the winds of global competition have buffeted American workers and businesses. The world has changed. But in too many ways, we have not.

The only way to pass prosperity on to our children is to make this new world economy work for us -- not by pretending it doesn't exist.

We will never thrive by erecting walls against competition. Even if we wanted to, we could not. The only way to preserve and create American jobs is for American workers to be the best trained and most productive in the world. We must compete, not retreat. And we must lead the fight for open markets and vigorous trade.

Fifty years after visionary statesmen built a new world economy out of the rubble of World War II, we stand uniquely at the center of world leadership. America has an opportunity -- and an obligation -- to once again create prosperity at home by expanding trade abroad.

That is what the North American Free Trade Agreement is about. It poses the question of whether America's days of leadership are behind us, or ahead of us. With NAFTA, we will choose hope over fear.

Let me explain why I believe NAFTA is vital for the American economy, American leadership and America's future.

We are a trading nation. One of the only bright spots on our economy in recent years has been exports. And export-related jobs pay more than other jobs.

NAFTA will create 200,000 new jobs for Americans over the first two years alone. It will create 1 million new jobs in the first five years. This is many more than might be lost to competition.

NAFTA will generate these jobs by fostering an export boom to Mexico. It does this primarily by tearing down tariff walls that keep our products out.

Mexico is a potentially massive market for American products. Already, Mexican consumers buy more per capita from the United States than any other consumers in the world. The average Mexican buys \$450 worth of our goods every year -- more than the average Japanese, German or even Canadian buys [or, if we could say it: more than the average German, Swiss and Italian put together].

We have a taste of how NAFTA will work. Several years ago, Mexico partially reduced its tariffs. In 1987, Mexico exported to the US \$5.7 billion more than we exported to them. Today, we have a \$5.4 billion trade surplus. Expanded exports to with Mexico have already created 400,000 new US jobs.

When Mexican consumers and businesses buy more U.S. electronics and telecommunications equipment made in California - a category of exports that rose by more than 200% between 1987 and 1992 -- the workers who make this equipment gain job security. When Mexico boosts its consumption of refined petroleum products from Louisiana -- as it did by about 200% in that period --

Louisiana refinery workers gain job security. And when Mexico's purchases of industrial machinery and computer equipment made in Illinois increase -- as they did by more than 300% in those same years-- the workers who build that equipment gain job security. [NOTE: THIS GRAF IS CRIBBED FROM REICH'S SPEECH]

Forty-eight out of fifty states boosted exports to Mexico during this time. That is one reason why 41 governors -- the officials who day in and day out worry about providing jobs for their citizens -- support the trade pact.

Many Americans are worried that this agreement will increase the movement of jobs south of the border. I believe with all my heart that it will not.

There have been nineteen serious economic studies of NAFTA, by liberals and conservatives alike. Eighteen of these concluded that NAFTA will not lead to job loss.

[ Businesses do not choose where to locate based solely on wages. If they did, then Haiti and Bangladesh would be world export powers.

Businesses do choose where to locate based on the skills and productivity of the workforce, the roads and railroads to deliver products, the communications networks nearby. That is America's strength. And that will continue to be America's strength.]

Moreover, there are specific provisions in the agreement that remove current incentives to move south.

[ For example, today Mexican law requires U.S. automakers who want to sell cars to Mexicans to build them in Mexico. Under made NAFTA, cars in Detroit can at last be sold in [Mexican city beginning with D]. This year, we will export only 1000 cars to Mexico. Under NAFTA, the Big Three auto makers expect to ship 60,000 cars to Mexico in the first year alone.]

And in a few moments I will sign side agreements to NAFTA that will make it harder than it is today for businesses to relocate in search of cheap wages or lax environmental rules.

The side agreement on the environment will, for the first time ever, apply trade sanctions against any of these countries that fails to enforce its own environmental laws. This groundbreaking agreement is why NAFTA is supported by environmental groups ranging from the Audubon Society to the Natural Resources Defense Council.

The second ensures that Mexico enforces its laws in areas that include worker health and safety, child labor and minimum wage.

And the third agreement protects American industries against export surges from one of our trading partners.

Economic change has often been cruel to the middle class over the past two decades. Hard working families worry that their jobs will leave, and that they will bear the inevitable cost of progress without ever reaping the benefits.

NAFTA imposes an obligation on the government to ensure that American workers are the best prepared in the world, that any citizen who loses their job due to trade is given assistance and training. We will propose a comprehensive worker training program to serve as a platform of opportunity for those who need it.

Together, efforts of two administrations have created a trade agreement that moves beyond traditional notions of free trade. We have sought to ensure that trade pulls everybody up, instead of dragging them down. We have put the environment at the center of this, and future, agreements. And we have sought to avoid a debilitating contest for business where countries seek to lure businesses by slashing wages or despoiling the environment.

\* \* \*

NAFTA will create jobs thanks to trade with our neighbors, and that is reason enough for Americans to support it.

But there are other reasons, too, that cut to the core of our national interest.

NAFTA is an essential element in America's competitiveness with Europe and Japan.

Across the globe, our competitors are consolidating, creating huge trading blocs.

This pact will create a free trade zone stretching from the Arctic to the tropics -- the largest in the world, a \$6.5 million market of 370 million people. This large market will let American businesses be more efficient, better to compete with our rivals around the world.

And NAFTA is essential to American leadership in the hemisphere and world.

Having won the Cold War, today we face the more subtle challenge of consolidating our victory.

For decades, we have preached greater democracy and open markets in Latin America. NAFTA offers and opportunity to extend and cement these trends. Passage of NAFTA will lock in a market economy throughout the continent, and set our hemisphere on a

path to growth. It is a historic opportunity to open the gateway to Latin America.

This explains why the five living former president have come together in an extraordinary display of unity to support NAFTA. Their philosophies are diverse, and their points of views may differ. But they love their country. And they know that America is at its best when America leads.

\* \* \*

I am well aware that this trade pact is controversial.

It is no secret that both the Democratic party and the Republican party are divided on this issue. But that is what happens in a time of change. Old alliances give way; new forces take shape; long-familiar terrain takes on a new aspect. When the new path is uncertain, people seek to cling to the old way. Demagogues peddle fear -- and NAFTA has already created a boom among defeated politicians and demagogues.

But leadership forces us to cut through the fog -- to spurn the naysaying of narrow interests, and to boldly embrace the national interest. We must put aside labels of party and pull together for our country.

The fight over NAFTA is not a contest between left and right, Democrats and Republicans. It is fundamentally a choice between hope and fear -- between an America confidently facing the world, and an America past its prime, grimly clinging to the old way in the forlorn hope that things will turn out all right.

If our nation fails to rise to this occasion, if we listen to the voices of the past and spurn the promise of tomorrow, we will turn inward at the very moment that the world looks to us for leadership.

If NAFTA is defeated, we risk destabilization, authoritarianism and a turn from market reforms in Latin America.

We risk a world trading system where nations slam shut markets and build walls of protectionism, leading to less trade and low growth. That's what happened in the 1930s.

And we will assuredly lose the opportunity to create jobs here at home.

America is an optimistic nation. We have been at our best when we grappled with the day's challenges. The fight over NAFTA is fundamentally this: in the face of change, will America flinch? Or will it lead? Will it retreat? Or will it compete and win?

I pledge to you that I will expend every ounce of my energy, and use all the persuasiveness of my office, to win passage of this pact. It will not be easy. But it is the right thing to do. And I am confident that we will prevail.

## JOBS

### Question:

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

### Answer:

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 or Bangladesh would be economic powerhouses by now. Other factors such as much 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.

Moreover, under NAFTA's rules of origin, only products that have substantial North American materials will have preferential treatment. With the free and fair trade and investment environment created by NAFTA, workers in all three North American countries will be better able to succeed in competition with non-North American producers.

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### Question:

How many workers would need assistance because of NAFTA?

### Answer:

NAFTA will create many more jobs in the United States than are lost. The number of positions that will be lost due to NAFTA is likely to be very small. American workers are strongly competitive in world markets; U.S. barriers to imports from Mexico are already very low; Mexico's productive capacity is very small relative to that of the United States and will — even with healthy growth — remain so for decades to come.

Since NAFTA will be phased in over a fifteen year period, a substantial part of the position losses is likely to be absorbed by attrition through voluntary retirement or resignation. Certainly any job displacement of working Americans by NAFTA will be barely perceptible relative to other changes in the U.S. economy, such as defense conversion, technological advance and changes in the consumer tastes.

While the net benefits are clear, the Administration recognizes that some U.S. workers may suffer dislocation. For any U.S. worker who is in fact displaced by NAFTA, the Administration is committed to provide the assistance needed for him or her to adjust to changing market conditions.

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### Question:

Will wages in the United States fall in order to compete with lower wage Mexican labor?

**Answer:**

High wages in the United States reflect the productivity of American workers, which is the highest in the world. Because U.S. jobs supported by exports are, on average, higher paying, requiring higher skills than other jobs, and NAFTA's promotion of exports will lead to net job creation, NAFTA will strengthen rather than depress U.S. average real wages.

Without NAFTA, hundreds of thousands of Americans will lose opportunities to find good-paying jobs producing exports for the Mexican market.

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**Question:**

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

**Answer:**

Mexico now is our third-largest trading partner. Although Mexican per capita incomes are low relative to the United States, Mexico is a country of 85 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. NAFTA will help the United States take further advantage of the growing Mexican market for U.S. exports.

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**Question:**

Are the benefits of recent U.S. export expansion overstated? Is most of this growth due to exports of parts which are assembled in Mexico and then shipped back to the United States?

**Answer:**

Not at all. Mexico is our third largest overall export market, and recently passed Japan to become the number two agriculture market. An estimated 83 percent of the growth in U.S. exports to Mexico in the last five years was for Mexican consumption, not re-export.

Most U.S. exports to Mexico are for consumption in the Mexican market and not for return to the United States. In 1992, U.S. exports of component inputs for production sharing arrangements in Mexico (i.e. Maquiladoras) comprised an estimated 23 percent of all U.S. exports to Mexico, compared to 32 percent in 1987. While incorporated into products eventually exported back to the United States, these components still support U.S. jobs related to their production.

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**Question:**

Is the United States primarily exporting machinery and equipment that Mexico would use to create industries which could then lead an export assault on our markets?

**Answer:**

Unlikely. Mexico imports a smaller percentage of capital goods than most trading partners. In percentage terms, capital goods have been the slowest growing major export category to Mexico in the last 5 years. Although still the largest component of U.S. exports to Mexico, capital goods have decreased from 40 percent of total U.S. exports to Mexico in 1987 to 33 percent in 1992. In contrast, capital goods comprise 40 percent of U.S. exports to all developing countries and 39 percent of U.S. exports to the world. The United States enjoys a significant competitive trade advantage in many areas of capital goods.

In any event, U.S. exports of capital goods to Mexico should not be viewed as a liability for the U.S. economy. Such exports support production and high paying jobs in the United States and will do so for many years to come. Mexico's need for imported capital goods is likely to continue as long as the Mexico maintains a healthy, expanding economy. Even the United States, the world's most productive economy, must expand and replace a part of its capital equipment each year.

Finally, U.S. capital goods are on the cutting edge of technology. Exports of capital goods support good, high-paying jobs.

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## LABOR

**Question:**

What does this Administration plan to do for those who lose jobs because of the NAFTA?

**Answer:**

The Administration will soon introduce legislation to authorize a new comprehensive worker adjustment program that will serve all dislocated workers — regardless of the cause of their job loss. The new program will reflect the learning gained from experience regarding which services work best in quickly re-employing dislocated workers.

The new program is planned for implementation in FY 1995 and will expand our capacity to serve workers. It is estimated that by 1998 1.3 million workers will be served each year — those who want and need basic adjustment services and those who need training or retraining to qualify for a new job.

In addition, the new program will include a national reserve account for targeted responses to industries, firms and communities affected by major structural changes such as NAFTA and other trade agreements.

Through FY 1995 we will respond to the NAFTA by using the Trade Adjustment Assistance (TAA) program to serve trade impacted workers. Enhanced services also will be available to other individuals affected by trade using additional Economic Dislocated Worker Adjustment Assistance (EDWAA) funds under the Job Training Partnership Act.

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**Question:**

Will adequate income support be provided to enable workers to take long-term training?

**Answer:**

Yes. The majority of dislocated workers will receive unemployment insurance (UI) benefits. Also, income support following exhaustion of regular UI will be available for experienced workers who enroll in training early in their UI benefit period.

We also are reviewing options for the flexible use of UI benefits that include enabling some workers who are eligible for UI benefits to use these for business start-up.

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## ENVIRONMENT

### Question:

What steps does the Clinton Administration intend to take to insure effective implementation of the environmental provisions of the North American Free Trade Agreement goes into effect on January 1, 1994?

### Answer:

Although NAFTA has gone far beyond any other trade agreement in history in its recognition of environmental factors, as they relate to trade, new mechanisms are currently being explored to insure compliance with the environmental laws and standards of NAFTA member countries. The United States, Canada, and Mexico began negotiations on March 17 on an environmental side agreement that will be presented to Congress as part of a larger NAFTA package. The side agreement on the environment will establish a North American Commission on the Environment (NACE) that will provide for more effective national enforcement of national laws, transparency in carrying out these laws, and an important forum for trilateral cooperation on a wide range of environmental matters.

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### Question:

What guarantees are there that following ratification of NAFTA, support from Washington D.C. and Mexico City for border environmental problems will not diminish?

### Answer:

The Clinton Administration remains committed to developing creative long-term solutions to the environmental problems found along our common 2,000 mile border with Mexico. The over \$230 million pledged in FY-1994 represents a portion of a sustained U.S. commitment to respond to existing problems on the Border and to probable future environmental impacts on communities located along the U.S. - Mexico border.

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### Question:

Do U.S. government agencies work with the Mexican government to correct these problems? Describe any cooperative programs.

### Answer:

Both the United States and Mexico recognize the seriousness of the environmental problems in the border area and, in fact, have worked together for more than ten years to develop collaborative approaches for solving the problems. These initiatives include:

### **1983 U.S.-Mexico Border Environmental Agreement:**

Formal efforts between Mexico and the United States to protect and improve the environment in the Border Area began in 1983 with the adoption of the U.S.-Mexico border Environmental Agreement (otherwise known as the "La Paz Agreement"). This Agreement outlines the primary objectives of common border environmental cooperation: establishes a mechanism for additional agreements, annexes, and technical actions; and encourages environmental cooperation between the two countries. The La Paz Agreement also establishes formal communication and procedures and the establishment of binational working groups in the areas of water, hazardous waste, air, and emergency response. Recently, work groups covering enforcement and pollution prevention have also been established.

### **1992 Integrated Environmental Plan for the U.S.-Mexico Border:**

EPA and SEDESOL (The Mexican Secretariat for Social Development) are currently carrying out a set of activities recommended in the Border Plan released in February 1992.

The goal of the Border Plan is to strengthen efforts to protect human health and natural ecosystems within the Border Area, defined as the area 100 km (60 miles) on either side of the border. Key objectives of the plan include: strengthened enforcement of existing environmental statutes; reduction of pollution through new initiatives; increases cooperative planning, training, and education; heightened public awareness of the border environment; and increased public and state/local government participation in Border Plan implementation.

A progress report and revised set of priorities for the coming year are being prepared for the Binational Coordinator Meeting scheduled for August 27, 1993.

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#### **Question:**

The current Border Plan does not address many of the environmental concerns raised by the North American Free Trade Agreement nor is it an action program. How does the Clinton Administration propose to address these issues in the future?

#### **Answer:**

EPA and other Federal agencies involved in border area environmental and natural resource protection efforts are developing a new Border Action Program. The program will focus on actions to clean up the border and to assure that future growth and environmental protection go hand in hand. Specific projects will be proposed to clean up current contamination near the border, to provide needed infrastructure, to enforce environmental laws and to prevent and control pollution. Its objective is to assure equitable access to environmental and public health services for minority and disadvantaged people living in the Border.

EPA has already taken steps to assure that the activities of all the U.S. Federal agencies with programs in the Border area are included in a New Border Plan. The New Plan outlining activities for the period 1995-2000 will be developed over the next 6 to 9 months.

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## NEPA COURT DECISION

On June 30, 1993, U.S. District Court Judge Charles R. Richey ruled that the United States Trade Representative (USTR) is required to prepare an environmental impact statement on the North American Free Trade Agreement (NAFTA) under the National Environmental Policy Act (NEPA). The Court of Appeals, at the request of the Administration, has agreed to an expedited review of Judge Richey's decision.

The Administration is confident that the court's decision will be reversed by the Court of Appeals. The Administration believes that the decision is an unacceptable encroachment on the President's authority to negotiate international agreements and to conduct the foreign relations of the United States.

President Clinton has long recognized the need to safeguard the environment while providing for economic progress, and has taken significant steps to enhance the NAFTA with adequate and progressive environmental protection. The President's position on the supplemental agreement on the environment has received strong support not only from the Congress, but also from key environmental groups and leaders in the environmental community.

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### Question:

Does the NEPA decision halt progress on the NAFTA?

### Answer:

No, the decision does not halt progress on the NAFTA. The Administration will continue the negotiations on the supplemental agreements, which were not affected by the court's decision, and will continue to prepare for Congressional consideration of the NAFTA. In the meantime, we will also work to comply with the court's order directing USTR to prepare an environmental impact statement on the NAFTA, pending resolution of our appeal of the court's decision.

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### Question:

Is the Administration required to file an environmental impact statement?

### Answer:

The court has ordered USTR to prepare an environmental impact statement on the NAFTA. The United States has appealed the court's decision and is confident that the decision will be reversed. However, USTR will work to comply with the court's order pending the outcome of the appeal.

**Question:**

What is the schedule for the appeals process?

**Answer:**

All briefs are scheduled to be filed by August 10 (the United States filed its first brief on July 19, the appellees filed their brief on August 2, and the United States files its final brief on August 10). The court has scheduled the hearing on the case for August 24. We hope the court will issue its opinion shortly thereafter.

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## AGRICULTURE

### Question:

Will U.S. agriculture benefit from the NAFTA?

### Answer:

Yes. According to projections by USDA, by the end of the 15-year transition period, annual U.S. agricultural exports will likely be \$2.0 billion to \$2.5 billion higher than they would be without NAFTA. More agricultural trade will also expand employment in related areas of processing and transportation and the economy as a whole. Agricultural exports to Mexico already account for 81,000 American jobs. Increased exports from the new pact will add an estimated 50,000 agricultural jobs to the U.S. economy.

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### Question:

Is Mexico a major market of U.S agricultural products? What are the recent trends in our agricultural exports to Mexico?

### Answer:

Mexico ranks as our third largest single-country market for agricultural products, and is one of our fastest growing major export markets. Our agricultural exports to Mexico rose from a low of nearly \$1 billion annually in the mid-1980's to nearly \$4 billion in calendar year 1992. These export gains were largely the result of unilateral liberalization in Mexico, our natural comparative advantages, and the relatively strong Mexican economic performance (averaging 3.6 percent income growth for the past three years). NAFTA will lock in Mexican liberalization for the benefit of U.S. farmers. Primarily a bulk commodity market prior to 1987 (mostly coarse grains and soybeans), Mexico is now one of the United States largest and fastest growing high-value markets. Consumer-oriented food products have gained the most with meat and poultry, horticultural products, dairy products, and snack foods among the leaders. Other high-value products doing well include live animals, cattle hides, feeds and fodder, and soybean meal.

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### Question:

If our agricultural exports to Mexico have increased so rapidly, why do we need a NAFTA?

### Answer:

NAFTA will assure that this growth in U.S. agricultural exports to Mexico will continue by eliminating trade barriers that still exist. Additionally, improved economic activity resulting from the agreement will boost income and stimulate demand for greater amounts and a greater diversity of food and feed products. Importantly, the NAFTA would also help prevent a return

by Mexico to policies that limit trade and economic growth.

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**Question:**

How will NAFTA benefit U.S. grain and oilseed products?

**Answer:**

NAFTA assures the United States initial duty-free access under a tariff quota of 2.5 million metric tons into the Mexican corn market, well above 1992 exports of 1.1 million. This duty-free quota will grow 3 percent each year. Imports above the duty free quota level initially will have a high tariff (215 percent), but this over-quota tariff rate will be reduced to zero over a 15-year period. Under NAFTA, as the tariffs are reduced and incomes grow, U.S. corn exports to Mexico will increase steadily over the longer term. NAFTA is likely to result in a small increase in U.S. corn prices and production.

U.S. grain sorghum exports to Mexico (4.9 million metric tons in 1992) will increase due to the immediate elimination of the sorghum tariff. U.S. wheat exports to Mexico are expected to grow to 1.5 million tons per year within a decade.

Under NAFTA, Mexico will reduce its 15 percent seasonal duty on soybeans to 10 percent, which will then be phased out over 10 years. The United States has traditionally supplied three-fourths of Mexico's imports of soybeans and meal. Mexico's demand for grains and oilseeds for feeding is expected to increase as its livestock and poultry sectors expand. The elimination of the seasonal duty will help increase the U.S. share of Mexico's soybean and product imports.

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**Question:**

Won't the NAFTA damage U.S. producers of horticultural products?

**Answer:**

U.S. horticultural imports from Mexico are seasonal and generally enter the United States during the winter months. Under NAFTA, tariffs on selected horticultural commodities during some of the least import-sensitive seasons will be eliminated immediately. Other tariffs will be phased out gradually. The longer phaseout periods apply to tariffs during specific seasons during which when Mexican imports compete with production in the United States. The agreement also includes quantity-based safeguards to protect U.S. producers of import-sensitive fruits and vegetables from import surges.

Mexican income growth will increase that country's consumption of fruits and vegetables, thus limiting Mexico's export potential to the United States and expanding the market for U.S. produce in Mexico.

NAFTA will provide increased market opportunities for U.S. horticultural products from reduced barriers and income growth in Mexico. The most significant gainers will include fresh apples, pears, and peaches. U.S. exports of fresh vegetables to Mexico (counter-seasonal to their production) will also increase as Mexican consumers increase demand for high-quality fresh produce. U.S. tree nut exports to Mexico, already growing from \$8 million to \$28 million during 1987-92, will continue to expand as NAFTA eliminates Mexico's 15-20 percent tariffs.

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**Question:**

How will the sugar provisions of the NAFTA work and what will be their likely impact on the U.S. sugar industry?

**Answer:**

NAFTA will have virtually no effect on the U.S. sugar industry during the first six years. Under NAFTA, the United States and Mexico will phase out barriers to sugar trade between the two countries and harmonize border protection from the rest of the world. During the 15-year transition period, any additional access to the U.S. market beyond Mexico's current 7,258 ton quota will be conditioned upon Mexico becoming a net surplus producer of sugar. Mexico is currently a large net importer of sugar and is expected to maintain that status in the foreseeable future.

Even if Mexico were to achieve net surplus producer status during the first six years of the transition, its access to the U.S. market during that period would be limited to the amount of its net surplus production, but not more than 25,000 tons. In year 7 of the agreement, the maximum duty free access quantity becomes 150,000 tons. In each subsequent year of the 15-year transition period, the maximum quantity of Mexican sugar allowed duty-free access will be increased by 10 percent. However, this limit may be exceeded under certain conditions: Beginning in year 7, the United States will provide duty-free access to the full extent of Mexico's projected net surplus for that year if: (1) Mexico has been a net surplus producer for any two consecutive marketing years (including years 1 through 6 of the agreement); or if (2) Mexico has been a net surplus producer during the previous year and is projected to be a net surplus producer in that year.

In summary, the NAFTA will have virtually no effect on the U.S. sugar industry during the first six years of the transition. During the remaining nine years, Mexico's ability to expand exports of sugar to the United States will continue to be constrained by its ability to achieve net surplus production status. The Mexican sugar sector will require substantial investment and appropriate financial incentives to become an efficient surplus producer of sugar. Forecasts that far into the future of conditions that might prevail in a very dynamic industry are tenuous. However, present circumstances suggest that it Mexico will have difficulty reaching that status even during the years 2000-2008.

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**Question:**

What does NAFTA mean for the U.S. livestock and meat industry?

**Answer:**

Mexico is one of the fastest growing export markets for U.S. meat, especially fresh/chilled/frozen and processed meat products. Beef trade will undoubtedly increase with NAFTA, which will restore a zero duty for U.S. exports of beef to Mexico.

U.S. poultry exports have increased rapidly in recent years from \$16 million in 1987 to over \$153 million in 1992, and Mexican demand is expected to continue to grow. U.S. exports will benefit from the removal of Mexico's import licensing requirement. Until Mexico adequately addresses problems with Hog Cholera and Exotic Newcastle Disease, it will be unable to export hogs, chickens, or their meat (with the exception of cooked pork) to the United States.

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**Question:**

What does NAFTA mean for the U.S. dairy industry?

**Answer:**

Mexico is the world's largest market for milk powder and represents the most important outlet for U.S. nonfat dry milk exports. NAFTA will increase Mexican income growth and Mexican demand for dairy products. Strong provisions on rules of origin will ensure that the open border with Mexico does not lead to a circumvention of U.S. import quotas from third country transshipments. Overall, NAFTA will allow the United States to obtain a larger share of the Mexican dairy import market, because other suppliers, including Canada, will still be subject to import license requirements.

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**Question:**

Will the NAFTA eliminate U.S. standards for products imported from Mexico?

**Answer:**

Absolutely not. Under NAFTA, the United States will maintain its stringent standards regarding health, safety, and the environment. We will continue to prohibit imports that do not meet U.S. standards. NAFTA also allows states and local governments to enact tough standards without restriction, so long as these standards are scientifically defensible.

The United States will not change its existing sanitary and phytosanitary requirements on horticultural imports. Furthermore, the United States will take all measures necessary to assure that imports are safe from pesticide residues. The NAFTA will not require changes in U.S.

minimum import requirements for grade, size, and quality which currently apply to imports of some fruits and vegetables.

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**Question:**

Won't NAFTA result in the end of Section 22 quotas?

**Answer:**

NAFTA will liberalize trade with Mexico in all products, including those now protected by Section 22 quotas. Import quotas will continue to be used for imports from all other countries. Mexico will be granted a small duty-free quota for Section 22 products entering the U.S. market — and they will be charged a high tariff based on the 1989-91 level of protection for any sales over that amount. The duty-free quota will grow at a 3-percent compounded annual rate over the NAFTA transition period while the over-quota tariff will be gradually phased out. For dairy products, cotton, and sugar-containing products, this phase-out period will be 10 years, for peanuts, the phase-out will be 15 years.

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**Question:**

Doesn't the NAFTA contain a special safeguard provision for certain import-sensitive products?

**Answer:**

All products are eligible for the general NAFTA safeguard provision. In addition, each of the three nations will apply a special agricultural safeguard to a selected list of products specific to each country. The NAFTA special safeguard will apply between the United States and Mexico and Canada and Mexico. Trade between Canada and the United States will continue to be governed by the U.S.-Canada Free Trade Agreement. The United States will have a special agricultural safeguard for seven tariff line items, which accounted for about \$340 million in imports from Mexico in 1991. Mexico will have a special agricultural safeguard for 17 tariff line items which include live swine, most pork products, apples, and potato products. Imports of these items from the United States were valued at about \$100 million in 1991. The value of imports from Mexico of the commodities the United States will apply the safeguard is about 15 percent of U.S. agricultural imports from Mexico (roughly two-thirds of the amount is tomatoes). The safeguard would not restrict trade under normal circumstances but would be available to limit the impact of sudden import surges.

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## DEMOCRACY

### Question:

The Clinton Administration says it supports democracy in the hemisphere. Why should it sign a free trade agreement with a country like Mexico, where one party has so much control?

### Answer:

Experience shows that economic and political reform go hand in hand, and NAFTA will accelerate this positive, modernizing trend, expanding the growing middle class which wants political reform and efficient, honest government. Despite publicized shortcomings in the Mexican political system, under recent reforms the opposition has made significant gains at national, state and local levels. For example, the opposition National Action Party (PAN) today governs three of Mexico's states — Baja California Norte, Chihuahua and Guanajuato — and holds 180 seats in the national legislature.

As part of its reforms, the Mexican Government is spending \$1 billion this year on a nationwide voter identification system which has already proved successful in recent state elections. Mexican legislation now pending would regulate campaign financing, provide greater access to the media for political parties, improve voter registration and further level the playing field for the opposition. There are also plans to give greater political rights to residents of the Mexico City federal district. President Salinas recently reversed a longstanding policy against allowing foreign groups to conduct exit polls, an important way to verify election results.

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### Question:

What's the United States doing to support political reforms in Mexico?

### Answer:

The governments of the United States and Mexico enjoy an ongoing, candid, high-level dialogue on this and other important bilateral issues. We feel that the best way to support the positive things we see happening in Mexico is by these continuing contacts: in Mexico, in Washington, indeed, wherever U.S. and Mexican officials meet.

As NAFTA and other shared concerns draw the countries of North America closer together, Mexico's reforming trend — and our ability to support it — can only improve. For example, NAFTA requires Mexico to use greater transparency in the government's regulatory process.

## DRUGS

### Question:

Will the NAFTA increase drug traffic?

### Answer:

Both the United States and Mexico are taking serious steps to fight the drug war, and we are cooperating extensively. Approval of NAFTA will increase that cooperation, and improve its results. Our Customs Services have anticipated the potential for increased drug smuggling and have taken steps to significantly upgrade customs inspections facilities and personnel on the border. The U.S. Customs Service is coordinating with both the U.S. and Mexican border trade communities to establish training and provide safeguards for the legitimate commerce that is expected to expand with NAFTA.

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### Question:

What is Mexico doing to counter the drug trade?

### Answer:

The Mexican Government is hiring new Customs officers, providing better training and equipment for them, expanding the use of sniffer dogs, and making better use of information. It has raised salaries for Customs Inspectors by nearly 10 times the old salary and is rotating Customs inspectors every 21 days to maintain higher Customs inspection standards. Only through cooperation will we be able to get a handle on drug traffic. Mexico has tripled its counter narcotics budget since 1989, and NAFTA will generate resources to continue the counter narcotic effort.

The United States and Mexico cooperate extensively to fight drug trafficking through intelligence, law enforcement customs inspection programs. Our Mutual Legal Assistance Treaty enables us to obtain evidence and witnesses in narcotics investigations and prosecutions. Mexico has sponsored comprehensive counter-narcotics crime legislation in its Congress based on Organization of American States model regulations covering money laundering, asset seizure and forfeiture, and precursor chemicals. The legislation also authorizes payment of rewards and court-ordered wire tapping. Mexico is taking the lead in proposing new measures at the United Nations to broaden international cooperation in combatting narcotics trafficking.

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## IMMIGRATION

### Question:

Won't NAFTA worsen the flow of illegal immigration to the United States from Mexico through more open borders?

### Answer:

No. Nothing in the NAFTA changes any U.S. immigration law. The United States maintains the right to implement its own immigration policies and protect the security of its borders. Illegal Mexican migration to the United States should decrease as investment in Mexico increases, job opportunities increase and the standard of living rises. These factors should alleviate pressures on illegal immigration.

Mexico's ability to generate jobs is the most important factor affecting illegal immigration to the United States. NAFTA will stimulate economic growth in all three countries by removing tariff and non-tariff barriers over a 15-year period. A January 1993 study by the U.S. International Trade Commission states that NAFTA will expand the number of jobs in Mexico by as much as 6.6 percent and increase average wages from 0.7 to 16.2 percent in the long-run.

Without economic development, pressure to migrate is certain to increase. More than half of all Mexicans are under the age of 20 and the population is growing at a rate that will double approximately every 30 years. Only with a vibrant economy will Mexico be able to better absorb new entrants into the labor force. Even though NAFTA opens up Mexico for U.S. and Canadian agricultural exports, it provides a 15-year phase in period for products which compete with Mexico's most import-sensitive agricultural sectors. This lengthy transition period should help marginal farmers displaced from their lands as a result of NAFTA to find jobs in a growing Mexican economy.

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### Question:

What is the Government of Mexico doing to improve social services?

### Answer:

Under the Salinas Administration, the Mexican government launched a major social program known as Solidarity to improve the quality of life in rural and poor urban areas. Through Solidarity, Mexico's central government makes grants to fund local development initiatives. The Mexican government has built new schools and provided funding for more teachers in poorer areas, helped medical school students to fulfill their military obligations by practicing medicine in rural clinics, built more modern roads, and brought running water, electricity and irrigation projects to underdeveloped areas. Mexico should be better able to meet the needs of its poorest people with the resources NAFTA will generate. With NAFTA, a higher quality of life and higher wages will reduce the incentives for Mexicans to migrate to the United States.

## MEDICAL PROFESSIONALS

### Question:

NAFTA will allow Mexican doctors, dentists and other medical professionals to practice in the United States without meeting the same requirements that U.S. medical professionals must meet. How can you allow this?

### Answer:

The NAFTA does not let Mexican or Canadian medical professionals circumvent licensing and certification procedures in the United States. The procedures currently in use in the United States to test, evaluate and certify professional competency will continue. Any one who wants to practice medicine or dentistry in the United States must be licensed by the appropriate regulatory bodies.

However, NAFTA does obligate each Party, at both the federal and state government level, to eliminate any citizenship or permanent residency requirement that a Party maintains for licensing or certification of professionals.

The NAFTA provides each country the opportunity to demonstrate that its licensing and certification requirements should be recognized by another NAFTA partner. It also encourages—only encourages—all three countries to work towards recognizing each others' licenses and certifications. In some areas of the professional services sector, we are already engaged in this exercise. For example, there are several Canadian medical schools that are accredited by professional bodies in the United States. However, the NAFTA does not require the U.S. government or state governments to accord recognition to education, experience, licenses or certifications obtained in Canada or Mexico.

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### Question:

Why do NAFTA's temporary entry provisions let Mexican doctors and dentists into the United States to practice based on a Mexican certification or license?

### Answer:

Temporary entry and providing a service—medical or otherwise—are two different and distinct issues covered in the NAFTA. The services chapter of the agreement contain the provisions on providing a service, including the obligations of the United States concerning licensing and certification procedures. In short, the procedures currently in use in the United States to test, evaluate and certify professional competency will continue. Any one who wants to practice medicine or dentistry in the United States must be licensed by the appropriate regulatory bodies.

In addition, there are provisions in the NAFTA relating to temporary entry which allow eligible individuals to enter the United States, Canada or Mexico under certain conditions, but **do not convey a right to perform or provide a service.**

In Chapter 16, NAFTA provides specific rights for temporary entry of business persons—citizens of the United States, Canada, and Mexico—who engage in trade in goods, the provision of services and the conduct of investment activities. In regard to professional services providers, the specific entry rights are given to certain categories of professionals who meet minimum educational requirements or possess alternative credentials, and who seek to engage in business activities at a professional level in the country they wish to enter.

The categories are set out in a new schedule that tracks the one currently in effect between the United States and Canada. There is an annual numerical limit for temporary admission of Mexican professionals. In essence, we have waived the pre-entry "test" to determine whether a national is available for the position as a requirement for entry into the United States for these professionals. **These provisions, however, do not substitute for valid licenses to practice medicine, engineering, accounting or other licensed professionals which are recognized by the appropriate regulatory bodies in the United States.**

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## STANDARDS-RELATED MEASURES AND SANITARY AND PHYTOSANITARY MEASURES

The North American Free Trade Agreement (NAFTA) includes an agreement on standards-related measures and on sanitary and phytosanitary measures.

Standards-related measures ("SRMs") deal with voluntary and mandatory product standards and the procedures used to determine whether a particular product meets the standard. Sanitary and phytosanitary measures ("S&P") generally deal with protecting human, animal and plant life and health from risks of plant- and animal-borne pests and diseases, and additives and contaminants in foods and feedstuffs.

The NAFTA explicitly recognizes that countries have a legitimate need for product standards and for regulations to protect human, animal and plant life and health. The NAFTA provisions are designed to preserve the ability of governments to act in this area while guarding against the unjustified use of these types of measures as a way to protect domestic industry. In each case, the NAFTA sets up requirements and procedures that will help to distinguish legitimate measures from protectionist measures.

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### Question:

Will the NAFTA "harmonization" provisions weaken U.S. food safety by creating strong pressure for the United States to use less stringent Codex Alimentarius standards or Mexican standards?

### Answer:

No. The NAFTA SPS provisions were specifically negotiated to be clear that there would be no "downward harmonization" of SPS measures.

It also explicitly provides that **nothing** in this requirement "shall be construed to prevent a Party from adopting, maintaining or applying...a sanitary or phytosanitary measure that is more stringent than the relevant international standard, guideline or recommendation."

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### Question:

Will the NAFTA severely restrict a country's ability to establish the level of protection it considers appropriate for human, animal and plant life and health? In particular, does it only allow a country to establish one level of protection for all its food safety standards?

**Answer:**

No. The NAFTA explicitly recognizes the right of each country to establish whatever levels of protection from risk that country deems appropriate.

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**Question:**

Will NAFTA lead to challenges to food safety standards that are not based on risk assessment, but rather on policy determinations, such as the Delaney clause zero risk of cancer standards for food additives and pesticide residues which are based on policy not science?

**Answer:**

No. This concern is unfounded because it confuses two basic concepts.

The level of protection of human health that a society deems appropriate, such as that there should be a zero risk of cancer from food additives and pesticide residues, is not a scientific question and there is no requirement in the NAFTA that it be based on science.

As noted above, NAFTA specifically allows a country to determine the levels of risk it is willing to tolerate, including zero risk. So the Delaney clause, in establishing a zero level of risk, is consistent with the NAFTA.

However, in general NAFTA does require that before we ban a particular food additive or pesticide residue under the Delaney clause, we should have at least some scientific basis for concluding there is a cancer threat.

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**Question:**

Does the NAFTA require that S&P measures be the least trade restrictive?

**Answer:**

No. This concern arises because of the inclusion of the word "necessary" in the S&P text.

Some GATT panels have construed the GATT Article XX general exceptions, which refer to "necessary" measures, to mean that in order for a measure to be determined to be "necessary" measures for purposes of qualifying for the exception, no GATT consistent measure is reasonably available and of the GATT-inconsistent measures available, the country chose the measure that is the least inconsistent with the GATT.

Some groups mistakenly read this as meaning we must adopt the "least trade restrictive" possible health, safety and conservation measures. In the NAFTA, the United States successfully resisted the inclusion of any "least trade restrictive" test in the NAFTA.

Furthermore, although the term "necessary" appears in the NAFTA S&P text, the way in which the term is used makes clear that there it does not create any "least trade restrictive" test.

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**Question:**

Does the NAFTA prohibit S&P measures based on the manner in which food or other agricultural products are produced?

**Answer:**

No. There is no such prohibition in the NAFTA. In fact, the definition of an S&P measure specifically includes "a product-related processing or production method."

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**Question:**

Will the NAFTA undermine state S&P measures because of its least trade restrictive obligation and because countries can only have one level of protection?

**Answer:**

No. The NAFTA safeguards the rights of states to have S&P measures, but these measures are subject to the same requirements as federal measures (e.g., are based on scientific principles, are not disguised restrictions on trade, do not arbitrarily discriminate).

As noted above, there is no least trade restrictive obligation in the NAFTA nor are countries limited to only one level of protection.

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**Question:**

Does the NAFTA standards text give precedence to the existing GATT Standards Code over the NAFTA standards text where the two conflict?

**Answer:**

No. The Parties merely agreed that they would not disturb their rights and obligations under the GATT standards code. NAFTA uses very different language when it gives precedence to other international agreements.

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**Question:**

Would the NAFTA's procedural harmonization provisions eliminate public notice and comment on standards?

**Answer:**

No. Nothing in the NAFTA would eliminate existing U.S. public notice and comment requirements. In fact, the standards text in general requires public notice and comment for standards and is modeled after U.S. practice.

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**Question:**

Will the NAFTA limit environmental standards to the lowest common denominator and inhibit the development of more stringent regulations if they are needed to protect human health or the environment?

**Answer:**

No. The NAFTA is specifically drafted to ensure the ability of each country, including its state and local governments, to maintain stringent environmental standards.

In particular, the NAFTA recognizes the right of each country to enact and enforce laws and regulations that protect human health and the environment.

Furthermore, the agreement specifically provides that each country may establish those levels of safety and protection of human, animal and plant life and health, of the environment and of consumers that it considers appropriate.

Where the NAFTA calls on the three countries to collaborate on health and environmental standards it deliberately refers to joint efforts to "enhance" protection, not lower it.

In addition, the agreement states clearly that any efforts to make environmental or health standards compatible among the three countries should be undertaken "without reducing the level of safety or of protection of human, animal or plant life and health, the environment and consumers.

Furthermore, the NAFTA also specifically preserves each country's right to apply more stringent environmental or health measures than those provided under internationally-agreed standards.

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**Question:**

Does the NAFTA's language that requires the federal government to take "all necessary measures" to give effect to NAFTA's provisions "including their observance by state and provincial governments" mean that if, for example, California's Proposition 65 toxic labeling requirement was challenged as a non-tariff trade barrier, the "all necessary measures" provision would require the federal government to pre-empt California's more stringent regulation?

**Answer:**

No. Nothing in the NAFTA would cause or require federal environmental or health standards to preempt California's standards.

The NAFTA requires each country to take "all necessary measures" to ensure that state and provincial governments observe those provisions of the agreement that apply to them. This language is drawn directly from the U.S.-Canada Free-Trade Agreement, which has been in effect since 1989 and has never been construed to preempt state measures.

The language simply reflects an understanding among the three countries that they intend to apply the agreement equally at the federal and state level, with exceptions to that general rule in certain areas. Thus, for example, the S&P text applies fully to federal, state, and provincial government measures.

One area in which there is somewhat less stringent application at the non-federal level is that of standards. In the SRMs text, the federal government is simply obligated to "seek, through appropriate measures" to ensure that states observe the relevant NAFTA rules.

This lesser degree of obligation, set out in Article 902, reflects an understanding among the three countries that the NAFTA should not intrude unduly on the ability of states to regulate in this important sphere.

Neither Article 105 nor Article 902 — nor any other provision of the NAFTA — creates an obligation that states adopt the same measures as the federal government. Accordingly, there is no basis under the NAFTA for challenging a state measure simply because it is more stringent than a relevant federal measure.

Furthermore, nothing in the NAFTA requires the federal government to take legal action against state measures that NAFTA dispute settlement panels may determine to be inconsistent with trade obligations.

Under the NAFTA, panel opinions are advisory only. If the defending country loses, it is not required to remove or change the offending measure.

It may offer trade compensation instead or simply permit the other country to take retaliatory action of equivalent effect.

As has been the case under the GATT, in those rare instances where state rules may be successfully challenged under the NAFTA, the federal government will work cooperatively with the states to seek a satisfactory resolution of the matter. Under the NAFTA, each country will retain full discretion, under our own political and legal system, to determine how to satisfy our trade obligations.

**Question:**

Is it true that the harmonization process does not require that we come to final agreement on particular standards? That is, if Canada and Mexico refuse to change their standard, can we insist on retaining ours as well?

**Answer:**

Yes. The NAFTA does not require that the United States change any particular standard.

Instead, the NAFTA creates a process by which the three countries can try to reach greater compatibility of standards among the three countries, but that does not require us to agree to any particular change in our standards.

Further, if the Administration believed that changes were desirable, whether because of discussions under the NAFTA or for any other reason, we would consult fully with Congress and domestic interests. Congress alone votes to change U.S. laws.

No "harmonization" process can ever force us to agree to standards we find unacceptable, nor could Congress be bound by any result it found unacceptable. Congress would need to pass specific legislation to effect a change.

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**Question:**

Does the NAFTA preserve state standards that are more stringent than federal standards?

**Answer:**

Yes. From the beginning of the NAFTA negotiations, a fundamental objective of U.S. policy was to ensure that the NAFTA did not result in lowering U.S. health and environmental protection standards, including state and local standards. The Agreement secured that objective.

The agreement does apply to state laws and regulations in most respects. But it does so not by mandating compliance with federal law but by requiring that state measures comply with the rules set out in the agreement. Just as the federal government will be free to maintain or change its laws, subject to NAFTA rules, so will state and local governments.

The NAFTA is drafted as a set of prohibitions. Unless the NAFTA prohibits a certain type of measure or practice, a NAFTA country is free to maintain or impose it.

Since nothing in the NAFTA precludes states from maintaining or adopting standards that are higher than federal rules, they will continue to have the right to do so.

The NAFTA negotiators specifically used the plural "levels" (in Article 904(2) and in the equivalent provision of Chapter Seven (Article 712(2)), which talk in terms of each Party's right

to set the levels of health, safety, or environmental protection that it sees fit), in part in order to account for the fact that each country may have a multiplicity of levels due to differences among the states and between the states and federal government.

Article 105 requires each country to take "all necessary measures" to ensure that state and provincial governments observe those provisions of the agreement that apply to them. This language is drawn directly from the U.S.-Canada Free-Trade Agreement ("CFTA"), which has been in effect since 1989.

It simply reflects an understanding among the three countries that they intend to apply the agreement equally at the federal and state level, with exceptions to that general rule in certain areas.

This language is not meant to suggest — and has not been interpreted under the CFTA to mean — that state or provincial regulation must conform with federal standards.

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**Question:**

How, when, and by whom will a state be notified if one of its environmental laws is challenged under NAFTA? What forum and procedures will be utilized in hearing such challenges? In what way will a state be allowed to defend its laws under NAFTA?

**Answer:**

It is the practice of the federal government to notify state governments directly and promptly upon learning that another government intends to challenge a state measure, including an environmental law, under the dispute settlement procedures of our international trade agreements. This practice will continue under the NAFTA.

The NAFTA dispute settlement procedures are the avenue for formal government challenges against a state measure. Those procedures are detailed in Chapter 20 of the NAFTA.

These include consultations between the countries involved, recourse to the good offices of the NAFTA Trade Commission and, if no settlement can be reached, referral of the matter to non-binding arbitration.

In addition, there are a number of other procedures available to try to resolve disputes over either state or federal measures. For example, the NAFTA establishes trilateral committees to facilitate consultations and avoid or settle disputes regarding standards.

In the case of agricultural and food safety standards, the countries concerned may also have recourse to the good offices of relevant international organizations for purposes of resolving their differences.

As is the case under existing international trade agreements, USTR will work closely with state government representatives at all stages of a dispute settlement proceeding in preparing the defense of any state measure challenged under the NAFTA.

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## TRANSPORTATION

### Question:

What impact will the implementation of the North American Free Trade Agreement (NAFTA) have on U.S. transportation companies and their employees?

### Answer:

The implementation of NAFTA will provide U.S. motor carriers significant new market opportunities, enhance the land transportation provisions competitiveness of U.S. goods and services, and help to alleviate congestion and environmental concerns along the border.

For the first time, NAFTA opens the international market in Mexico for U.S. motor carriers. Eighty-five percent of U.S. trade with Mexico is transported over land, with a large percentage of that carried by truck. Total trucking revenues on U.S.-Mexico trade are estimated at more than \$3 billion annually.

U.S. trucking companies will have the right, for the first time, to use their own drivers and equipment for shipments into Mexico, a cross-border market that is now completely controlled by Mexican carriers.

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### Question:

Will increased access to the United States for Mexican vehicles affect highway safety or environment?

### Answer:

No provision of NAFTA exempts Mexican or Canadian commercial vehicles from U.S. environmental or safety standards. The agreement specifically states that each country retains the right to adopt and enforce standards more stringent than those in the other countries.

Mexico, working closely with U.S. federal and state officials, has adopted and is now enforcing commercial driver license requirements much like those adopted by the United States. Its hazardous materials transportation regulations are modeled on international standards that are also a model for U.S. regulations. Mexico also conducts roadside inspections according to the same criteria used in the United States and Canada.

A joint federal-state group will address potential needs for increased enforcement due to NAFTA's implementation. Also, the Department of Transportation's Federal Highway Administration (FHWA) will examine the effectiveness of motor carrier enforcement among the border states.

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**Question:**

Will NAFTA result in changes in U.S. truck size and weight requirements?

**Answer:**

NAFTA does not require the United States to change its size and weight limits. It does, however, include a commitment from the three countries to work toward compatible technical and safety standards. Any future changes in U.S. size and weight requirements must be consistent with U.S. law.

Foreign-based trucks must comply with all federal and state size and weight requirements when operating in the United States.

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**Question:**

Will Mexican motor carriers' lower operating costs — particularly for driver wages — give them an unfair edge in competition with U.S. companies?

**Answer:**

In fact, operating costs for Mexican carriers are, for many facets of their business, significantly higher than those of U.S. carriers. Costs for purchasing new vehicles, spare parts and tires and for financing new capital acquisitions are significantly higher than in the United States.

Department of Transportation data indicates that the differential in driver wage rates between U.S. and Mexican drivers is smaller than has been alleged — approximately 20 percent.

Many shippers find service quality to be more important in their selection of a carrier than differences in price. In this area — total transit time, reliability of pickup and delivery, response in emergency situations, handling of expedited shipments, shipment tracking and accountability — U.S. carriers are particularly well-equipped to compete with the Mexican industry. Lower wage rates alone will not lead to job loss for truckers.

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**Question:**

Will NAFTA necessitate infrastructure improvements at border crossings?

**Answer:**

As required by the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), FHWA is conducting a study to determine the current conditions of border crossings and any known problems with the ability of the existing system to handle the increased trade and traffic flows that will result from NAFTA.

The study will also consider need for a discretionary funding program to improve border crossing facilities.

The final report on the study will be submitted to Congress by August 31, 1993.

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## SUPPLEMENTAL AGREEMENTS

**Question:**

Is border funding part of the environmental side agreement?

**Answer:**

No, it will be developed as a separate bilateral agreement between the U.S. and Mexico.

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**Question:**

Will the Environment Secretariat be independent?

**Answer:**

Yes. The parties have agreed to create one central, independent Secretariat. Its executive director, appointed by the Parties, will be able to select his or her own staff.

The Secretariat has a large degree of discretion in setting its priorities and organizing its work, subject to appropriate oversight by the Council. For instance, the Secretariat prepares its own annual program and budget, and enjoys broad responsibility for implementing the Commission's workprogram.

The Secretariat receives and considers submissions from the public on any matter, including allegations regarding a Party's failure to effectively enforce its environmental laws. The Secretariat determines which enforcement-related submissions warrant the development of a factual record, based on a combination of mandatory and discretionary criteria, and subject to the Council's approval. That factual record is used by the Parties in deciding whether to take a matter to dispute settlement.

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**Question:**

What kind of investigative authority will the Environment Secretariat have for investigating nonenforcement?

**Answer:**

The Secretariat has broad authority to gather the information it needs to prepare reports and investigation allegations of nonenforcement. This includes information provided by the Parties and by public submissions, gathered from independent experts, or otherwise developed by the Secretariat.

Parties are obliged to promptly provide information in their possession, and to take all reasonable steps to make other information available. The Agreement protects against excessively burdensome information requests by the Secretariat, and protects national security, enforcement sensitive, and confidential business information.

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**Question:**

Does the Environment Agreement ensure that states can have more stringent standards than federal?

**Answer:**

This Agreement does not alter States' ability to have standards more stringent than the federal standards, consistent with the NAFTA. No specific provisions were considered necessary to address this point because the NAFTA itself, similarly, does not prevent states from having more stringent standards.

The NAFTA is drafted as a set of prohibitions. Unless the NAFTA prohibits a certain type of measure or practice, a NAFTA country is free to maintain or impose it.

Since nothing in the NAFTA precludes states from maintaining or adopting standards that are higher than federal rules, they will continue to have the right to do so.

The NAFTA's language is not meant to suggest — and has not been interpreted under the related CFTA to mean — that state or provincial regulation must conform with federal standards.

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**Question:**

What role will States play in this new Commission?

**Answer:**

The U.S. federal government will work closely with the States throughout the implementation and operation of this Agreement.

The Agreement recognizes each Party's right to create a governmental advisory committee for subfederal governmental representatives.

It is the practice of the federal government to notify state governments directly and promptly upon learning that another government intends to challenge a state measure, including an environmental law, under the dispute settlement procedures of our international trade agreements. This practice will continue under both the NAFTA and this Agreement: The U.S.

Council Member will work closely with state government representatives at all stages of a dispute settlement proceeding in preparing the defense of any state enforcement action or inaction challenged under this Agreement.

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**Question:**

How will American workers or companies that have complaints about Mexico or Canada use the mechanism of the NAFTA labor supplemental?

**Answer:**

Members of the public in the United States will be able to communicate concerns about labor standards and their enforcement in Mexico and Canada to the U.S. National Administrative Office (NAO).

Each country will be allowed to design its own NAO. The Administration is consulting closely with Congress on the design of the U.S. NAO. Some basic activities that the NAO is expected to undertake include examining each communication received from the public, gathering information from various sources, and carrying out an assessment of the matter. The U.S. NAO would also engage in consultations with other NAOs to attempt to resolve issues.

The U.S. NAO will be open and responsive to the public. It will provide a meaningful vehicle for the public to raise concerns about labor practices in Canada and Mexico.

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**Question:**

Why do the Labor Agreement and Environment Agreement create Commissions with different structures and mechanisms for handling the public's concerns?

**Answer:**

Because there exist different laws, different institutions, and different political sensitivities between labor and the environment. In an effort to craft a process that would be most successful at meeting the President's concerns, the Administration negotiated for each agreement structures that offered the best approach for reaching the joint objectives of providing effective cooperation and enforcement in each area. The end result for each is the same: new institutions to ensure that each country effectively enforces its labor and environmental laws, and to provide opportunities for public concerns to be raised and addressed.

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**Question:**

What labor issues are covered by the side agreement?

**Answer:**

The National Administrative Offices and Ministerial Council are able to study and discuss all labor issues.

The dispute settlement process covers key labor areas such as health and safety, child labor, and minimum wages. Industrial relations, such as collective bargaining and the right to organize, are not subject to dispute settlement panels. Industrial relations is a very sensitive issue in the current environment and is politically charged for Mexico. The Administration believes it may have more success addressing our concerns in this area by working informally through other channels between our governments.

One of the keys of this Agreement is that it brings sunshine onto the process of how laws are made and enforced. The public pressure brought on by opening up labor practices to public scrutiny will encourage countries to take unilateral action to address areas of concern. Already, discussion of the wage-productivity linkage in Mexico has encouraged President Salinas to make his August 13th announcement linking the minimum wage with gains in Mexican productivity.

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**Question:**

What good is the Mexican commitment to increase the real minimum wage by the rate of productivity growth if Mexican minimum wages only cover 15-20 percent of Mexican workers?

**Answer:**

All Mexican workers are subject to minimum wage legislation. That only 15-20 percent of workers receive just the minimum wage is because the rest of the workers receive higher wages. Average wages are substantially higher than the minimum wage and have been rising at a faster rate in real terms in the last several years.

Many wages and benefits in Mexico are denominated in multiples of the minimum wage and are traditionally increased at least a much as minimum wage increases, for both union and non-union workers. Thus an increase in the rate of minimum wage normally ripples through the entire economy.

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**Question:**

Are Canada's provinces covered by the Labor and Environmental Agreements?

**Answer:**

These Agreements bind Canada for all matters subject to its federal control, including the enforcement of national environmental laws throughout the provinces, and including all Crown industries (representing 10 percent of the workforce).

Canada's constitutional system limits its ability to accept the Agreements' obligations on behalf of a province for matters under provincial control. To redress this imbalance among the Parties and to encourage provincial participation, the Agreement commits Canada to take all necessary measures to bring the provinces into this Agreement, and limits its ability to take advantage of dispute settlement procedures according to the extent of provincial participation.

The Administration fully expects Canada's provinces to be brought on board, and will be following closely their progress in this regard.

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**Question:**

How does the trade-related test fit into dispute settlement?

**Answer:**

Under both the environment and labor agreement, the Parties, in deciding whether to establish an arbitral panel, will look to see if the alleged persistent pattern of failure to effectively enforce the law is related to trade or investment between the Parties. Under the labor agreement, an Evaluation Committee of Experts is to be established only if the matter is trade-related.

"Trade-related" merely means that the good or industry sector involved is traded within the NAFTA Parties or competes with a traded good or service. There is no requirement of a showing of trade injury.

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**Question:**

How big is the fine under the agreements?

**Answer:**

A panel can impose a monetary enforcement assessment against the government of up to \$20 million in the first year. The maximum monetary enforcement assessment is indexed to the total trade among the Parties, and will rise in the following years as NAFTA increases the volume of trade in the free-trade area.

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**Question:**

Who determines the amount of the fine?

**Answer:**

The panel will determine the amount of the monetary enforcement assessment, taking into account such factors as the pervasiveness and duration of the Party's failure to enforce or the

reasons for non-implementation of an action plan.

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**Question:**

Who pays the fine?

**Answer:**

The government of the country that has failed to enforce its law pays the monetary enforcement assessment.

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**Question:**

Where does the fine go?

**Answer:**

Any monetary enforcement assessments go into a fund established by the Council and are to be spent to improve environmental or labor law enforcement.

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**Question:**

Is a country off the hook once it pays its fine?

**Answer:**

No. If a Party is not fully implementing the action plan, it remains liable to ongoing enforcement actions.

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**Question:**

Why is there a different rule for Canada than there is for the United States and Mexico on enforcing the payment of fines and implementation of action plans?

**Answer:**

Canada, which has a tradition of domestic court enforcement of orders of other tribunals, preferred to make available its domestic courts in this instance rather than be subject to potential suspension of NAFTA benefits. We, however, were unwilling to cede our sovereignty and take

the unprecedented step of granting standing under domestic law to the decisions of an international tribunal.

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**Question:**

How do you decide what sector is involved for purposes of applying trade sanctions?

**Answer:**

If the failure to enforce involved enforcement in a particular sector, then a Party would first look to that sector in deciding what benefits to suspend. However, if it is not practicable or effective to suspend benefits in the sector involved in the non-enforcement (for example, because there is no identifiable sector involved), then a Party could look to suspend benefits in any sector.

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9/3/93  
2:15 pm

TALKING POINTS FOR PRESIDENT CLINTON ON  
APPOINTMENT OF BILL FRENZEL AS SPECIAL ADVISER FOR NAFTA

Today I'm pleased to welcome an important new asset in our bipartisan fight for expanded trade.

The North American Free Trade agreement, along with the environmental and labor side agreements we have negotiated, is essential to American competitiveness and long-term growth. NAFTA will create hundreds of thousands of new jobs here in the United States by opening up the Mexican market to our products. And for the first time, we will have enforceable mechanisms in place to ensure that companies don't move jobs to take advantage of weaker environmental or labor standards in another country. Economic change is never easy. But we must rise above partisanship if we are to do what we must to remain the world's leading economic power.

Last month I announced that Bill Daley will be serving as my Special Counsellor for NAFTA, to coordinate our fight for its ratification.

Today I am delighted to announce that former Congressman Bill Frenzel of Minnesota will join our effort as Special Adviser to the President for NAFTA. Bill was the ranking Republican on the House Ways and Means Committee and an economic leader for that party during his twenty years in Congress. He is now a Guest Scholar at the Brookings Institution. As a trade expert with a genuine commitment to economic growth, he will be especially helpful in working with his fellow Republicans who support this pact.

There is one central fact in this debate: NAFTA creates American jobs. Today I was pleased to receive a letter, signed by 284 prominent economists, liberal and conservative, who agree that NAFTA creates jobs and growth. Among them were twelve Nobel Prize winning economists. They know that our prosperity depends on our ability to export and compete. I am pleased that this overwhelming consensus of our top economists confirms that NAFTA means jobs.

September 1, 1993

President Bill Clinton  
The White House  
Washington, D.C.

Dear Mr. President

As economists, we feel it is necessary to set the record straight on the costs and benefits of the North American Free Trade Agreement.

While we may not agree on the precise employment impact of NAFTA, we do concur that the agreement will be a net positive for the United States, both in terms of employment creation and overall economic growth. Specifically, the assertions that NAFTA will spur an exodus of U.S. jobs to Mexico are without basis. Mexican trade has resulted in net job creation in the U.S. in the past, and there is no evidence that this trend will not continue when NAFTA is enacted. Moreover, beyond employment gains, an open trade relationship directly benefits all consumers.

A recent review by the Congressional Budget Office fairly summarizes professional opinion:

"...NAFTA, if passed, would produce both winners and losers, but that the total gain to winners would be larger than the total loss of the losers in both Mexico and the United States. The effects on the U.S. economy -- both good and bad -- would be small for many years because (1) U.S. tariffs and other trade barriers are already small, (2) elimination of the tariffs and other barriers would be phased in slowly, and (3) the Mexican economy is only about 4 percent of the size of the U.S. economy. The benefits would grow over time, however, as the Mexican economy [grows] larger."

Working with our neighbors to build a strong partnership in North America is a desirable parallel track to multilateral efforts for an open world trading system. We urge your support for the North American Free Trade Agreement.

Sincerely,

LIST OF ECONOMISTS WHO SIGNED THE LETTER TO THE PRESIDENT IN SUPPORT OF NAFTA.  
AN ASTERIX MARKS (\*) NOBEL LAUREATES IN ECONOMICS.

Henry J. Aaron  
Brookings Institution

Joshua Aizenman  
Dartmouth College

Christine Amsler  
Michigan State University

Torben G. Andersen  
Northwestern University

James E. Anderson  
Boston College

Kenneth J. Arrow  
Stanford University

Patrick R. Asea  
U.C.L.A.

David K. Backus  
New York University

Philip Bagzoni  
Brookings Institution

Jushan Bai  
M.I.T.

Martin Neil Baily  
University of MD

David S. Bates  
University of Pennsylvania

A. Benavie  
University of NC-Chapel Hill

Andrew Bernard  
M.I.T.

Ernst R. Berndt  
M.I.T.

Jess Benhabib  
New York University

Marcelo Bianconi  
Tufts University

Gary A. Biglaiser  
University of North Carolina

Mark Bills  
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Robert Bishop  
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Stanley W. Black  
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Margaret Blair  
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Olivier Blanchard  
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Zvi Bodie  
Boston University

Michael Bordo  
Rutgers University

Barry Bosworth  
Brookings Institution

Kenneth D. Boyen  
Michigan State University

S. Lael Brainard  
M.I.T.

William Brainard  
Yale University

William Branson  
Princeton

Bryan W. Brown  
Rice University

Cary Brown  
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Donald J. Brown  
Stanford University

Drusilla Brown  
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\* James Suchanan  
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Geoffrey Carliner  
NBER

Stephen G. Cecchetti  
Ohio State University

A. Chakraborty  
Boston College

Judy Chin  
Tufts University

Menzie Chinn  
University of CA-Santa Cruz

Richard H. Clarida  
Columbia University

John Colhrane  
University of Chicago

Harold Cole  
Federal Reserve Bank of Minneapolis

Susan M. Collins  
The Brookings Institution

Patrick Conway  
University of NC-Chapel Hill

Joyce Cooper  
Boston University

Richard Cooper  
Harvard University

Russell Cooper  
Boston University

Donald Cox  
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Roger Craine  
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Betty Daniel  
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Steven J. Davis  
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University of Michigan

\* Gerard Debreu  
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Rudi Dornbusch  
M.I.T.

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Jonathan Eaton  
Boston University

Janice Eberly  
University of Pennsylvania

Richard Eckaus  
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Barry Eichengreen  
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Randall Ellis  
Boston University

Charles Engle  
University of Washington

Robert Engle  
University of CA-San Diego

Ray C. Fair  
Yale University

Joseph Farrell  
University of CA-Berkeley

R. Feenstra  
University of CA-Davis

Alfred J. Field, Jr.  
University of North Carolina

Stanley Fischer  
M.I.T.

Franklin M. Fisher  
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Melvin Krauss  
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Dani Rodrik  
Columbia University

Kenneth Rogoff  
Princeton University

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Yale University

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Stanford University

Dominick Salvatore  
Fordham University

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Carleton University

Fario Schiantarelli  
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Boston College

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Brookings Institution

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University of Rochester

\* Theodore W. Schultz  
Univeristy of Chicago

\* William F. Sharpe  
Stanford University

John B. Shoven  
Stanford University

Mark Showalter  
Brigham Young University

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Ken Singleton  
Stanford University

Gordon W. Smith  
Rice University

Ronald Soligo  
Rice University

\* Robert Solow  
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University of Wisconsin

Doug Steigerwald  
University of CA-Santa Barbara

Ernesto Stein  
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Robert M. Stern  
University of Michigan  
Institute of Public Policy Studies

Chandler Stolp  
University of TX-Austin

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Harvard University

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University of Rochester

Joe A. Stone  
University of Oregon

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Chris Telmer  
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M.I.T.

\* James Tobin  
Yale University

Kenneth Train  
University of CA-Berkeley

Stephen Turnovsky  
University of Washington & NBER

Henning Ulodt  
Kiel Institute of World Economics

Andres Velasco  
New York University

Raymond Vernon  
Harvard University

Anne Vila  
Boston University

Mark W. Watson  
Northwestern University

Roger N. Waud  
University of NC-Chapel Hill

Shangjin Wei  
Harvard University

E. Roy Weintraub  
Duke University

Sidney Weintraub  
University of TX-Austin

William Wheaton  
M.I.T.

W. Wilson  
University of Oregon

Larry T. Wimmer  
Brigham Young University

Frank Wolak  
Stanford University

Holger Wolf  
New York University

Michael Woodford  
University of Chicago

Janet Yellen  
University of CA-Berkeley

Kei-Mu Yi  
Rice University

David Yoffie  
Harvard University

Jeffrey Zabel  
Tufts University

DRAFT 7:15pm

**Statement of Ambassador Mickey Kantor  
United States Trade Representative**

**NAFTA AND THE PEROT-CHOATE BOOK**

September 2, 1993

With the supplemental agreements completed last month, the public and Congressional debate over NAFTA begins in earnest. It is important to cut through the mountain of misinformation and sheer lack of understanding of this complex issue to recognize what is at stake in NAFTA.

The foremost commitment of President Clinton, and this Administration, is to rebuild the strength of our economy, to create new and better jobs and opportunities for United States workers and for their children who will be entering the work force.

We plan to do that through an integrated economic strategy that begins by facing up to our problems at home: starting with the President's economic program, continuing with the drive to reform the health care system, and complemented by the effort to re-invent government. Trade agreements are no substitute for dealing with fundamental domestic problems that have weakened our country for too long.

But in the intensely competitive global economy, a trade policy is an indispensable part of our economic strategy. The President and I have repeatedly stated the objectives of our trade policy: to compete, not retreat behind our borders, and to ensure that the markets of other countries are as open to our products and services as the U.S. market is to theirs. Our prosperity, and that of our children, depends on our ability to compete and win in a global marketplace. We will not accept an unbalanced trading relationship, and we will no longer subordinate our economic interests to foreign policy and defense concerns.

The companies, farmers and workers of the United States are world-class competitors. We lead the world in everything from computers and telecommunications to financial services and soybeans. We have regained our position as the world's leading exporter. But assuring that markets are open for our manufactured goods, our services, and agricultural products is absolutely critical to building our economic success.

This Administration did not negotiate the NAFTA. Moreover, Bill Clinton as a presidential candidate was critical of the economic and trade policy of his predecessors. When we studied NAFTA during the presidential campaign, we approached it skeptically. There were powerful political reasons for opposing it.

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But when we studied it further, we found that NAFTA--- strengthened by supplemental agreements---would be in the economic interest of the United States. It is not a favor for Mexico. It is in our economic interest. And it is an important piece of an economic strategy to build a high-wage, high skill competitive economy.

The administration has the responsibility to convince Congress and the country that NAFTA is in our economic interest, and we intend to do so. We will succeed because we have the facts on our side, but also because we understand---as least as well as our opponents do---the fears of American working people that their economic future, and their children's, are not secure; that their standard of living has declined; and that their prospects are diminishing. NAFTA is part of the solution, rather than part of the problem, and we intend to show it.

I have spent a significant amount of time over the last few days reading through and thinking about the Perot/Choate book. The book contains several major themes with which I fundamentally disagree:

#### **PEROT THINKS AMERICAN WORKERS CAN'T COMPETE**

At the heart of Perot's book is the belief that U.S. workers can't compete with low wage countries like Mexico. President Clinton believes that American workers and businesses can compete anywhere that the rules are fair and markets are open.

Wages are one factor, but they are not alone determinative. We compete based on the productivity and the skills of our workers, the excellence of our products and services, and the strength of our transportation and communications system. That is the formula for success that Germany and Japan have followed, and that is the natural path for our country.

It was certainly hard to compete when Mexico's markets were completely closed to our products, as they were prior to 1986. But since Mexico began opening its markets, we have transformed a \$5 billion trade deficit with Mexico into a \$5.4 billion trade surplus. Mexico has already become our third leading export market, and the second leading market for our manufactured exports. We have succeeded even though Mexican trade barriers---tariff and non-tariff---remain far higher than ours. This is clear evidence of our ability to compete.

#### **PEROT CHOOSES THE STATUS QUO OVER CHANGE**

In opposing the agreement, Perot is opting for the status quo which operates to the disadvantage of U.S. workers and companies. Despite Mexican progress in voluntarily opening markets, Mexican tariffs remain, on the average, 2 1/2 times higher than ours. Numerous Mexican non-tariff barriers, such as performance and trade balancing requirements, force U.S. companies to move to Mexico in order to sell there. Maquiladora

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industries distort U.S. business decisions to the disadvantage of U.S. workers. The lack of intellectual property protection hampers our motion picture and recording industries, as well as computer software and others. Meanwhile, Mexico enjoys virtually unlimited access to the U.S. market.

This unacceptable status quo is what the opponents would lock in. Our alternative is NAFTA, which brings down Mexican trade barriers, levels the playing field for U.S. companies and workers; it will no longer be necessary for companies to move to Mexico to sell there. The Big Three auto companies, which presently export only 1,000 cars to Mexico annually, predict an increase to 60,000 cars from the U.S. in the first year. Through the supplemental agreements, NAFTA gives us new ways to insure that Mexico will enforce the strong environmental protection and labor laws that it has on the books.

#### **PEROT CHOOSES PROTECTIONISM AND DEFEATISM OVER EXPANDED MARKETS AND EXPANDED GROWTH**

Perot--by opposing NAFTA--chooses a defeatist path which will reduce U.S. economic growth and job creation. In the past few years, export-led growth has been the brightest spot in the U.S. economy---accounting for [ ] % of the total growth. Mexico, and Latin America beyond it, represent potential markets of 400 million people. By calling for the defeat of NAFTA, and in fact advocating higher tariff walls against products from Mexico, Perot risks the gains we have seen, as well as additional gains we expect from NAFTA and the completion of the Uruguay Round.

In seeking to raise the walls around our economy, Perot ignores the lessons of history. More than 60 years ago, when our economy was much more self-contained, the United States tried to insulate ourselves from competition through high tariffs. The Smoot-Hawley tariff contributed to the Great Depression. Today, with about one quarter of our economy involved in trade of goods and services, the course of action Perot advocates would be devastating to the U.S. and the world economy.

This is clearly the wrong path for America. The issue before us is simple: how do we create good jobs and competitive industries in a rapidly globalizing economy. We believe this can only be done by reaching outward, not looking inward, and by opening the markets of the future. As President Clinton has said, we must compete, not retreat behind our borders.

#### **PEROT RELIES ON INACCURACIES AND MISLEADING INFORMATION**

Beyond the major misconceptions in the Perot book, it is riddled with mistakes, misconceptions, and oversights--we found over [ ]. Among the most serious:

- o Perot states that 5.9 million jobs are "at risk" because of NAFTA. The methodology for reaching the 5.9 million figure is fundamentally flawed. The authors simply identify, from

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Census data, industries where wages account for more than 20 percent of the value of output. Under the Perot/Choate scenario, the "at risk" jobs include high wage, high skill jobs in our most competitive sectors, including aerospace, medical equipment, and sonar equipment--sectors where we are in no danger of losing jobs and in fact will increase employment with NAFTA. The authors also describe as "at risk" jobs which face no competition from Mexico such as bakers and wood-pulp millers.

- o The book quotes the previous Secretary of Labor stating that NAFTA will cost 150,000 U.S. jobs. The book ignores the fact that the same Secretary of Labor, citing the same study, went on to say the NAFTA will create 325,000 jobs--a net increase of 175,000.
- o Perot states that NAFTA will lower U.S. health and environmental standards. In fact, nothing in the NAFTA could even be construed as lowering any federal, state or local standard. NAFTA specifically insures the ability of each country, including its state and local governments, to maintain as stringent environmental and health standards as it considers appropriate. Moreover, the supplemental agreements include specific commitments from the three nations to harmonize standards upwards--not downwards.
- o Perot claims that the U.S. auto industry is on the "endangered" list. In fact, independent studies done by the Congressional budget office and the Office of Technology Assessment show that U.S. auto companies and workers will both gain under the NAFTA, thanks to the dismantling of the Mexican performance, trade balancing, and local content requirements, as well as the elimination of Mexico's current 20% tariff on auto imports. Indeed, the OTA study found that the total cost of delivering a car to the U.S. market is higher for a plant in Mexico than for one located in Michigan--despite the wage differential.
- o The book creates a thrilling-but fictional-scenario about the Administration sneaking an extension of fast track authority for NAFTA through the Congress this year. In fact, fast track authority for NAFTA was obtained after a spirited and extended public debate in 1991, and no extension was needed for NAFTA. This years fast track extension pertained only to the Uruguay Round of the GATT.
- o Perot once again criticizes but fails to provide specific alternatives. He only offers platitudes like "Do not violate National Sovereignty," and "Negotiate with Complete Integrity." The one specific recommendation he suggests is to impose a "social tariff." Yet increasing tariffs is exactly the opposite the aim of NAFTA's. The experience of Smoot-Hawley in the 1930s, and the depression which followed, teaches us that high tariffs and protectionism is defeatist and harms economic growth.

*Nafta*

**The White House**  
**Office of the Press Secretary**

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**For Immediate Release**

**November 12, 1993**

**STATEMENT BY THE PRESIDENT**

Today, we saw a profile in courage. Leo Purcell, President of the Massachusetts Building Trade Council, endorsed NAFTA in a letter to fellow union workers.

In addition to saying, as I have, that this is a choice between change and status quo, Purcell wrote, "No longer can nations afford to build invisible walls at their borders because there are no longer national borders to free trade."

I applaud Mr. Purcell for his leadership, courage and vision and for his strong confidence in the American worker.

#

# Massachusetts Building Trades Council

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LEGISLATIVE DIRECTOR

JOHN F. X. DAVOREN

FIELD REPRESENTATIVE

JOSEPH A. DART



November 9, 1993

Dear Sir and Brother:

I am writing to express my concern over the issue of the North American Free Trade Agreement (NAFTA). This includes the hysteria from both opponents and proponents, and the potential for chaos, whether it passes or fails in Congress on November 17.

The issue of NAFTA has become emotional, and in many cases, misleading. Will the removal of tariffs and other barriers to free trade between the United States and Mexico create a situation as NAFTA opponent Ross Perot claims "the hemorrhage of American jobs across the border"? Well, we know the U.S. companies can relocate across borders today whether in Mexico or Korea or wherever. That doesn't mean that we should be pleased with that fact; however, it is a reality. And, is free-trade good for America and its workers?

We've heard and learned the term "new world economy" over the past several years, and it is fact. No longer can Nations afford to build invisible walls at its borders because there are no longer national borders to free-trade. I'm sure that most of us would want to return to the days of the high-volume industrial giants where American workers had only to compete with other American workers to produce products purchased by American consumers. We know that that world of work has changed and all we need to do is look closely at G.E., the Big Three, U.S. Steel and other powerful engines of the U.S. economy and see how they have adjusted to change within the U.S. economic capitalist system. Now, one can say he doesn't like the capitalistic system and that's his choice.

Workers in the U.S. have a right to be suspicious of trade and government, but it should be well placed and it's our responsibility as leaders to not add to their paranoia, but to prepare them educationally and emotionally for the challenges of tomorrow.

Building Our Communities the Union Way

Affiliates: NAFTA  
Page 2  
November 9, 1993

Let's face it, President Lane Kirkland of the AFL-CIO would probably not support NAFTA regardless of what side agreements were negotiated. We, in our business, understand political expediency on tough decisions. And, I believe that what he faced was a politically no-win situation. Personally, I wish he had taken a different approach.

Of course, there are statistics ad-nauseum on this debate, but there are some that stand out. In 1986, prior to Mexico loosening its trade barriers, the U.S. had a trade deficit of approximately \$5 billion with Mexico. In 1992, the U.S. enjoyed a \$5.4 billion surplus. Will NAFTA depress American wages? Mexico provided only 7% of our imports and it already has largely free-trade with the U.S.

Newsweek recently reported that "NAFTA will not succeed or fail on a few years' trade statistics. Its real promise is to foster a more middle-class Mexico and reduce immigration to the United States."

The environment is a major concern of all Americans and Mexico's abuse is well documented but improving. NAFTA is supported by six major environmental organizations, including the National Wildlife Federation, the Environmental Defense and the National Audobon Society. They believe that the U.S. will have better control over the Mexican environmental habits with NAFTA rather than without.

I must say that the political arm-twisting (something that we in the building trades excel at) has gone to the extreme. Particularly, when long-time friends such as Joe Kennedy is attacked by a Boston Central Labor Council official as having "caved in to big business and investment bankers" That is absolutely outrageous and is no way to treat a friend who time and time again has supported issues of workers and those who are unable to fend for themselves. We can never become a one issue organization and ignore the fact that from time to time a friend might disagree with one of our issues, particularly, in Congressman Joe Kennedy's case. I believe that what the Congressman did was out of a belief he was acting in the best interest of the country and its workers. If a person's history is symbolic of his character, we know that Joe Kennedy doesn't cave in to any one.

I'm worried that we are allowing some to get so caught-up in NAFTA, and maybe for the wrong reasons, that they would applaud a demagogue like Ross Perot, while at the same time, create an environment, whereby, a Democratic President - one we worked so hard to elect-will be handcuffed in the International arena. My greatest fear is that we could contribute to the demise of his

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Administration as well. And, then what? I'm convinced that if NAFTA is defeated that it will be a pyrric victory at best.

President Clinton has recognized that we must prepare for tomorrow, and he should be admired for his leadership and courage. This is the first Democratic Administration in 12 years, and the first Administration in many years, to tackle the tough issues that were left by the Republicans. President Clinton is trying to improve on the status quo; his opponents, perhaps without knowing it, are defending the status quo. It is up to us, I believe, to support him, as we did in his election, and to insure that the President is able to make change the friend of the worker -- not the enemy. Let that be his legacy.

The easy road for the President would have been to abandon NAFTA and retreat from the world. But, the President knew that Americans aren't quitters; they are winners. He knew that when the playing field is level, American workers can compete and win with any nation in the world. NAFTA's opponents don't think that is true, but I believe they are wrong. I have confidence in the American worker. President Clinton has bet that American workers are the best and most productive workers in the world. The smart money's on him. That's why on this issue, my money is with the President.

These opinions are mine and I would be less than honest if I did not share them with you. On a recent cable T.V. show in my town of Whitman, I expressed my views on a program that was devoted in part to NAFTA. I stated, however, that I was speaking personally and not in behalf of the organization I represent or the labor community. Perhaps, I could have taken a walk and some might say that my position is heretical, but those who know me better, understand that I was never one to duck a tough issue.

Fraternally yours,



Leo J. Purcell  
President

LJP/jd

VALIS ASSOCIATES

*File*

October 14, 1993

*Mark Gearan -  
we are  
active and  
helping on  
NAFTA  
Best,  
Wayne*

The Honorable James Jones  
U.S. Ambassador to Mexico  
c/o Office of Mexican Affairs  
U.S. Department of State, Room 4258  
Washington, DC 20520

Dear Jim,

Many thanks for your kind note and all your good work on NAFTA. Thanks also for your help with the National Association of Wholesaler-Distributors (NAW) and Citizens for a Sound Economy (CSE).

As a direct result of your call to NAW and your discussions with Mack McLarty and Howard Paster, Bill Daley met last week with NAW President Dirk Van Dongen, Senior Vice President Alan Kranowitz and me. Daley will appeal to the NAW Board on October 25 and should the Board concur, which it almost surely will, NAW will be an active and important ally for President Clinton. Their grassroots are very effective.

In addition, CSE President Paul Beckner is scheduled to meet with Bill next week. CSE continues to be very active at the grassroots level with rallies and press conferences on behalf of NAFTA in key cities in Florida, Illinois, New Jersey, New York, Oklahoma, Pennsylvania, Texas and Virginia. In fact, CSE is underway with its "Citizens for NAFTA."

I'll be sure to keep you posted on all our COMET activities. Yesterday, we met with Frenzel, who gave us the "charge." Thanks again for all your help.

With best wishes,

*Wayne*

Wayne Valis

*NAFTA*

TRADE  
ASSOCIATION  
LIAISON  
COUNCIL

October 19, 1992

The Honorable Bill Daley  
OEOB Room 111 1/2  
Washington, DC 20500

Dear Bill:

Thank you for agreeing to meet with the Trade Association Liaison Council (TALC) at 2:00 p.m. on Tuesday, November 2nd in the Old Executive Office Building, Room 476.

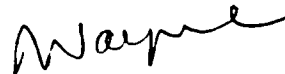
I have urged our members (see attached) to get active on NAFTA, and you can drive that message home. If you have specific names or states that need to be worked, please share that information with us.

TALC special guests usually informally address, while seated, our members for 20 to 30 minutes and then entertain a question and answer period.

Again, thank you for meeting with our group. I must say that Cory Alexander in your office has been extremely helpful and thorough in getting this meeting set up. He is a pleasure to work with and you are lucky to have him.

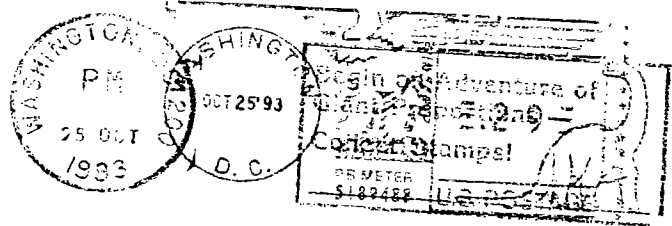
I look forward to seeing you on the 2nd.

Sincerely,



Wayne H. Valis

VALIS ASSOCIATES



The Honorable Mark Gearan  
Assistant to the President  
The White House  
Washington, DC 20500

1747 Pennsylvania Avenue, N.W.  
Suite 850  
Washington, D.C. 20006

