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How Other Countries See Washington, D.C.

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

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

The British, in The Economist, *say:*

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

The Dutch writer, Karel van Wolferen, says:

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

Nafta

Flaw: he hasn't examined the status quo.

Chapter 1

Out Traded – Again

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

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

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

materials and capital goods that are not manufactured in Mexico.

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

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

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

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

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

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

Advantages of NAFTA for Mexico

Trucking

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

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

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

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

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

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

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

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

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

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

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

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

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

Under NAFTA, therefore, Mexican truck drivers — qualified or not, fatigued or not, able to read English or not — and their Mexicans trucks — overloaded or not, well-maintained or not — will soon be on U.S. highways. These Mexican trucks can already come into the commercial areas on the U.S.-Mexican border. Within three years, they will have full access to the states of California, Arizona, New Mexico, and Texas. Within six years, they can go anywhere in the continental United States. Do we really want this to happen?

As difficult as it is to believe, highway safety is only part of the problem with the NAFTA truck provisions. Under NAFTA, smuggling drugs into the United States will become much easier.

Mexico is the principal staging area for the shipment of illegal drugs into the United States. The *New York Times* reported that up to 70 percent of the cocaine consumed in this country is slipped across the U.S.-Mexican border by smugglers working with Colombia's Medellin and Cali drug cartels.

Today, much of this drug movement is done by illegal immigrants carrying the contraband across the border. Drugs are also smuggled under the border through tunnels. For instance, in early June 1993, U.S. and Mexican officials discovered a partially completed 1,450 foot tunnel for smuggling drugs. It was concrete-lined, fully-lighted, air conditioned, and it extended from a warehouse in Tijuana, Mexico to just outside of San Diego.

If NAFTA is enacted, drug smugglers won't have to go to so much trouble or expense. They can just transport their illegal goods across the border in trucks, and do so with very little fear of being caught. U.S. customs officials are already so overworked that they often have less than five minutes to inspect the cargo in trucks crossing the border from Mexico. This is an open invitation to smuggle.

Colombian and Mexican drug traffickers are accepting the invitation. According to the same *New York Times* article, U.S. drug enforcement officials report that these dealers have bought

factories and trucking companies that they can use as fronts for smuggling operations. Once NAFTA is passed and Mexican trucks have easy access into the United States and Canada, drugs will be hidden in goods and shipped throughout the continent. Drug dealers operating out of Mexico will soon be able to offer door-to-door delivery anywhere in the United States and Canada. Is overnight service far behind?

Here is the really amazing part. The *New York Times* also reports that U.S. NAFTA negotiators had "foreseen the possibility that drug traffickers would take advantage of the trade pact [but] the problem was not raised during the negotiations." The United States spends $10 billion per year fighting the drug wars and to keep drugs out of the United States. Why wasn't this a central part of the NAFTA negotiations?

Real Estate

The United States has long permitted foreign investors, including those from Mexico, to own one hundred percent of virtually any type of real estate within its boundaries. On the other hand, Mexico has long restricted foreign ownership of real estate within its boundaries. One of the alleged objectives of NAFTA was to open the markets of both nations to foreign investment. If this was the goal, it was not met. Under NAFTA, Mexican investors, such as those at the Salinas dinner, will continue to enjoy a distinct advantage over U.S. investors.

Trade and investment in agriculture, livestock, and lumber, for instance, is a key part of U.S.-Mexican trade. Mexican investors will still be allowed to own one hundred percent of farms, forests, and other real estate in the United States. But U.S. investors are restricted to owning no more than 49 percent of any enterprise that owns agricultural or forest land in Mexico. Only Mexicans are allowed to own controlling interest of land in Mexico that is used for agriculture, livestock, and lumber production.

U.S. investors are forced to find a controlling Mexican partner, while Mexican investors are free to act on their own in the United States.

Communications

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

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

Construction

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

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

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

Banking

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

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

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

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

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

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

Auto Trade

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

Auto trade among Mexico, the United States, and Canada accounts for *more trade than any other single product*. One of

auto provisions radically Δ The Mex. regime that

makes it imposs. to sell cars into Mex.

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the reported U.S. goals in the NAFTA negotiations was to eli[minate] Mexican and Canadian restrictions on the production an[d] sale of cars.

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

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

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

Agriculture

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

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

USDA Ken Roberts

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

investment in Mexico's citrus export operations. In the [pro]cess, Florida's citrus industry will be devastated. Today, [Flor]ida's citrus industry employs 145,000 workers in the growing, processing, distribution, and marketing of citrus products.

NAFTA also exempts Mexico from the U.S. Meat Import Act, [whi]ch limits the amount of imported beef that can enter U.S. [mar]kets. At the same time, the agreement will give Mexico [un]restricted access to U.S. and Canadian feed grains, which it [ne]eds to develop a large scale cattle-feeding and beef-processing [in]dustry. The result will be a massive shift of the U.S. beef [in]dustry from the United States to Mexico as investors rush to [ta]ke advantage of cheap wages, low safety standards, and lax [sa]nitation practices. As a result, more American jobs will be lost. Remember, each lost job causes a triple-dip: loss of needed income taxes; loss of social security payments; and increased unemployment compensation payments.

The Real Deal

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

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

Dave Walters

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

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

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

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

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

Chapter 2

A Secret Deal

Marchick

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

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

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

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

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

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

Getting on the Fast Track

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

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

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

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

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

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

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

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

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

Not The Way To Negotiate

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

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

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

The Advisers

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

Mexico's U.S. Advisers

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

White House & Commerce

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

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

The President's Advisers

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

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

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

dations were labeled "secret" and shared with only a handful administration insiders.

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

Behind Closed Doors

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

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

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

In these closed negotiations, the U.S. negotiating team ha[s] authority to put virtually anything on the table. It can, for inst[ance,] trade away jobs in U.S. agriculture to get strong provisio[ns for] U.S. investors. Trade treaty negotiations are much like a g[iant] game of Monopoly, but played for real with U.S. indust[ries,] companies, and jobs. This happened in the NAFTA negotiatio[ns.]

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

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

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

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

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

[Ear]ly in the NAFTA negotiations, William Libman of the [Libman] Company, a leading U.S. manufacturer of brooms, was [assure]d by U.S. trade officials that the industry would be granted [ma]ximum protection — that is, a 15-year phase-out of tariffs.

[Thr]oughout the negotiations, the Libman Company and the [other] companies in the broom industry were assured that they [woul]d receive the 15-year phase-out so that they would have time [to ad]just. Nonetheless, Libman suggested to U.S. officials that [the] U.S. broom industry negotiate its portion of the agreement [wit]h its Mexican counterparts. But the U.S. Trade Representative [pro]hibited industry-to-industry negotiations, saying that the deal [wo]uld be made by the governments, not by the affected indus[tr]ies.

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

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

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

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

Rohl Simmel

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

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

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

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

Marwick

Keeping the U.S. Public in the Dark

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

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

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

not known how many pp's. ? 9/17 list text avail - not pub, sent to advisors.

17th ?

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

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

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

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

7 1000 briefings / 18 committees briefed -

texts went to advisors, committees, staff, etc

NAFTA text avail. to public for 1 yr.

3 sets as to what deal was.

Congr. briefings 3x a day for each ~~day~~ of Cong session.

like any other pub. doc.

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

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

The Wall Street Journal, May 20, 1993

Chapter 3

American Jobs Matter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Walter Robinson

Manufacturing Matters

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

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

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

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

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

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

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

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

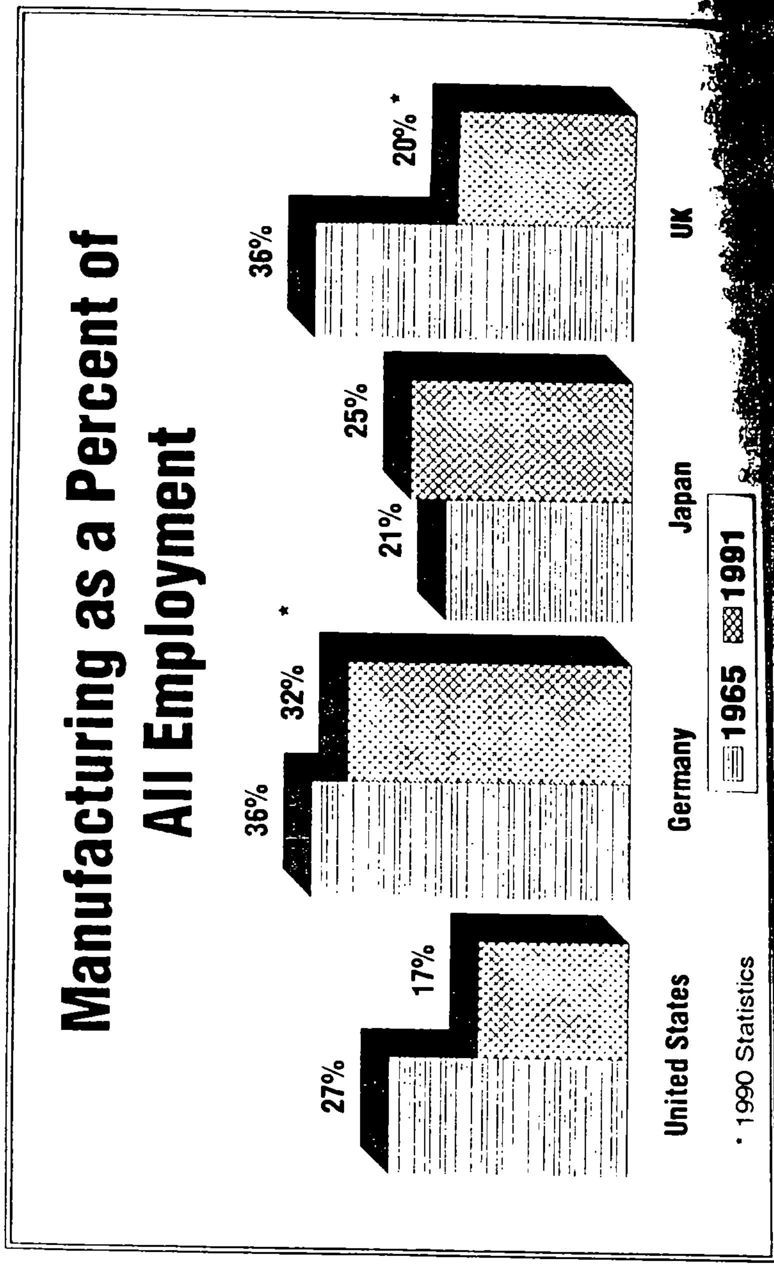
It is just plain wrong to think that "progress" as a nation requires shifting from a manufacturing economy to a service economy. The fact that so many of our leaders support this concept explains why incomes and living standards are rising in Germany and Japan while they are falling in the United States.

The Endangered Jobs List

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

And which jobs are at risk?

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



or determining the Americans jobs that are at risk is provided
e shift in Mexican products exported to the United States.

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

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

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

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

These job losses are increasing as auto parts suppliers move their factories to Mexico as well. In many cases, these U.S. auto parts makers, particularly the smaller companies, are draftees. Big Three U.S. automakers are quietly requiring U.S. suppliers to serve their Mexican auto assembly operations from Mexican parts factories. This allows Ford, Chrysler, and General Motors to squeeze price reductions out of their suppliers while employing low-cost Mexican workers. The supplier's parts production also gets credited toward the auto manufacturers' satisfaction of Mexico's "domestic content" regulations, which force foreign companies that sell in Mexico to produce in Mexico. NAFTA does not significantly alter Mexico's long-standing requirement that a high percentage of a vehicle sold in Mexico must be made in Mexico. European and Japanese car makers will also be required to buy parts from factories operating in Mexico.

Mexico's domestic content restrictions should have been eliminated during the NAFTA negotiations. Instead, U. S. negotiators agreed that Mexico could continue to apply these unfair restrictions, slightly modified, for another ten years.

Ironically, the biggest — and quietest — boosters for keeping Mexico's domestic content rules were the Big Three U.S. automakers. They want to move even more of their U.S. operations to Mexico, but they also want to avoid the blame for firing tens of thousands of U.S. workers and destroying the economies of hundreds of U.S. communities. This way, they can blame the relocation of American jobs on Mexico's domestic content regulations.

Apparel and textile jobs are also close to the top of the endangered U.S. jobs list. Already, tens of thousands of apparel jobs have been moved from the U.S. to Mexico. Today, 129 U.S. apparel companies employing more than 30,000 Mexican workers are operating 222 factories in Mexico. The jobs of many of the remaining 830,000 American apparel workers, who are paid an average of $6.94 per hour, will vanish under NAFTA. Mexican workers are paid an average of $1.64 an hour for this type of work.

NAFTA will permit a virtual free flow of apparel products from Mexico into the United States. U.S. apparel makers will face

an uncomplicated choice: stay in the United States and go broke; or fire U.S. workers, go to Mexico, and boost profits. Guess which alternative most U.S. manufacturers will choose?

Textile jobs will follow the apparel jobs to Mexico. Because NAFTA limits the import of textiles made outside North America, foreign textile producers are already building factories in Mexico. Eventually, U.S. textile companies will have to relocate to Mexico to remain competitive enough to keep their customers. If NAFTA is enacted, many of the remaining 540,000 U.S. textile jobs — which pay an average of $8.53 an hour — will go to Mexican textile workers making an average of $1.64 per hour.

High-wage, skilled electrical workers are also on the NAFTA-endangered U.S. jobs list. In the 1970s, most jobs in the U.S. consumer electronics industry moved to Asia and Mexico. Now big chunks of the U.S. electrical equipment industry are being shifted to Mexico. These are factories that employ workers to produce motors, transformers, generators, relay switches, and other sophisticated electrical products.

The International Brotherhood of Electrical Workers reports that between 1985 and 1990 more than 25,000 of its members' jobs were moved from the U.S. to Mexico. The companies that moved these jobs, such as AT&T, Johnson Controls, Westinghouse, General Electric, and Cooper Industries, still employ hundreds of thousands of electrical workers in the United States whose pay averages $15.08 per hour, including benefits. Many of these remaining jobs could be profitably shifted to Mexico, where comparable work earns $1.64 per hour, including benefits once NAFTA is ratified by Congress.

Millions of jobs in dozens of other industries are now on the NAFTA-endangered U.S. jobs list. Industries that produce products like metalworking machinery, partitions, fixtures, metal forgings, clay products, office furniture, fabricated metal products, aircraft, aircraft parts, aircraft repairs, concrete products, lighting equipment, electrical wiring equipment, and luggage, among many others, are on the NAFTA-endangered U.S. jobs list.

jobs created in US due to exports

The Endangered Place List

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

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

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

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

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

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

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

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

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

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

The Endangered People List

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

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

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

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

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

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

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

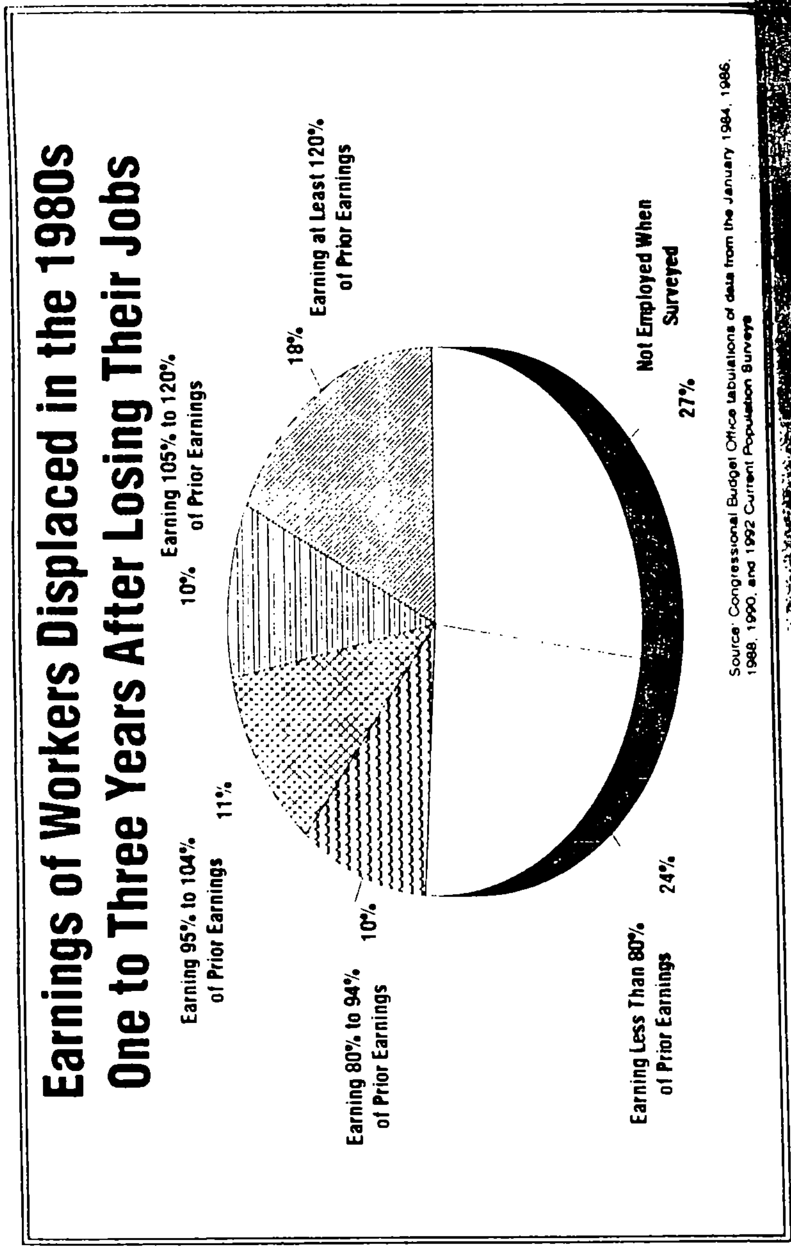
In study after study, the U.S. Department of Labor has found that displaced workers have an increasingly difficult time finding new jobs. The Labor Department reports that:

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

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

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

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



An Endangered Nation

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

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

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

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

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

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

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

Chapter 4

A Giant Sucking Sound

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

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

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

Good Workers at Low Wages

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

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

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

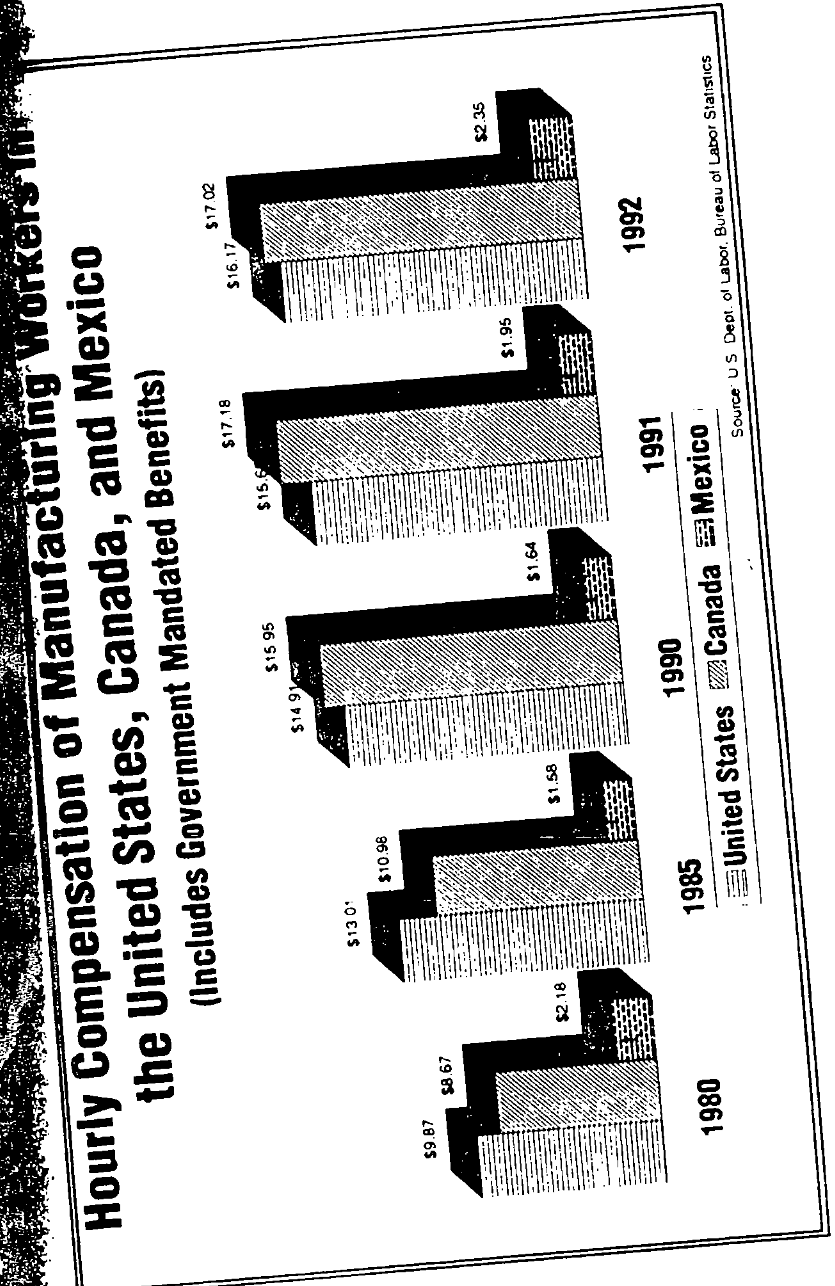
The *New York Times* reports that the skills of Mexican workers already match the skills of 70 percent of the labor force in the United States. Once properly trained, Mexican workers' productivity and work quality equals that of anyone, anywhere in the world.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

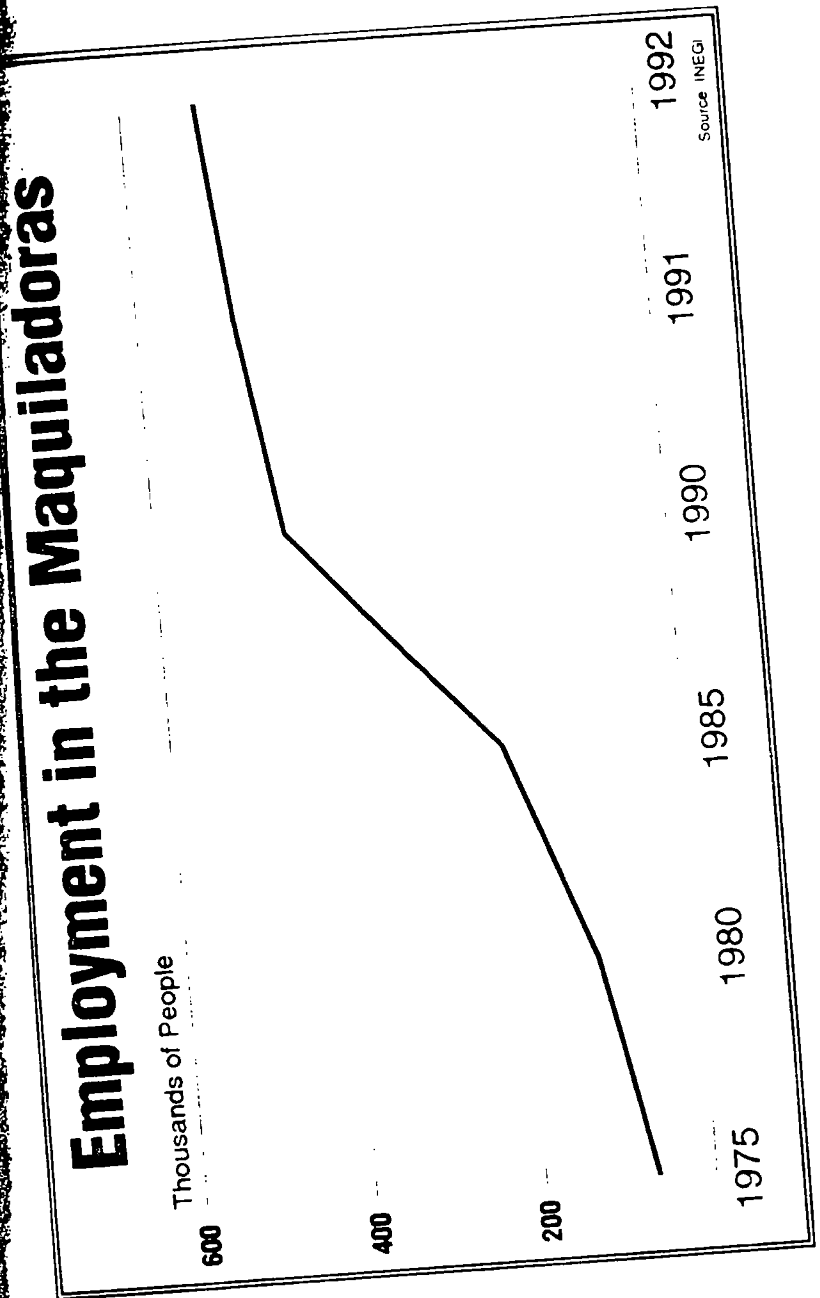
Most of these U.S. and foreign companies already in Mexico are operating under Mexico's Maquiladora Program, which allows Mexican and foreign investors to own one hundred percent of factories if the factories are located in designated parts of Mexico and if they manufacture mainly for export. Not surprisingly,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

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

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

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

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



Maq. is part of the prob, Then NAFTA part of the Solut.

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

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

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

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

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

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

0- US made foods in consumer + bus & govt procurement preference are sold ... in Mex at $450 v $370 for Japan

US comm Dept #'s 1992

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

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

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

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

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

The Mexican Buyout

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

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

According to the AmeriMex prospectus:

> The Fund will purchase established domestic United States companies suitable for maquiladora acquisitions, wherein a portion or all of the manufacturing operations will be relocated to Mexico to take advantage of the cost of labor.
>
> The Fund will seek to acquire companies where labor is a significant component of a company's cost of goods sold. It is anticipated that within six to 18 months after a company has been acquired by the Fund, the designated portion of the company's manufacturing operations will be relocated to Mexico to take advantage of reduced labor costs.
>
> We anticipate that manufacturing companies that experience fully loaded, gross labor costs in the $7-$10 per hour range in the U.S. may be able to utilize labor in a Mexico maquiladora at fully loaded, gross labor cost of $1.15-$1.50 per hour. Though each situation may vary, it is estimated that this could translate into annual savings of $10,000-$17,000 per employee involved in the relocated manufacturing operations.
>
> It is anticipated that most investments will be retained for three to eight years, but some investments may be realized earlier or later.

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

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

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

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

Making Mexico Investor-Safe

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

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

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

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

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

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

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

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

United States	18,061,900	5,988,200	$138,56[illegible]
Alabama	**363,300**	**120,000**	[illegible]
Arizona	173,500	35,800	811
Arkansas	**220,200**	**15,900**	[illegible]
California	1,961,800	747,600	17,495
Colorado	**176,200**	**35,500**	[illegible]
Connecticut	338,600	101,200	2,679
Delaware	**62,400**	**3,000**	[illegible]
Florida	473,100	164,500	3113
Georgia	**545,100**	**69,000**	**1,3[illegible]**
Idaho	60,500	8,700	189
Illinois	**976,100**	**305,900**	**7,58[illegible]**
Indiana	594,100	177,700	4,583
Iowa	**224,000**	**396,800**	**927**
Kansas	187,000	61,900	1,446
Kentucky	**272,900**	**85,400**	**1,82[illegible]**
Louisiana	174,800	38,100	972
Maine	**97,800**	**42,000**	**937**
Maryland	200,600	42,000	1,079
Massachusetts	**489,700**	**144,800**	**3,559**
Michigan	858,200	239,500	7,458
Minnesota	**384,500**	**103,300**	**2,401**
Mississippi	237,200	88,000	1,499
Missouri	**401,400**	**88,600**	**1,977**
Montana	19,800	6,800	160
Nebraska	**100,500**	**25,600**	**514**
Nevada	25,600	5,200	105
New Hampshire	**85,800**	**42,100**	**995**
New Jersey	590,900	173,800	4,247
New Mexico	**40,700**	**9,300**	**182**
New York	1,054,000	265,900	6,195

[illegible] Carolina	**801,900**	**180,000**	**3,317**
North Dakota	17,200	N/A	N/A
[illegible]	**1,045,400**	**323,900**	**28,776**
Oklahoma	168,600	51,200	1,165
[illegible]	**208,400**	**47,800**	**1,094**
Pennsylvania	962,000	349,500	8,120
[illegible]de Island	**94,600**	**32,500**	**613**
South Carolina	352,600	70,700	1,395
[illegible]th Dakota	**30,300**	**6,000**	**104**
Tennessee	493,000	172,100	3,404
[illegible]	**922,700**	**226,200**	**5,312**
Utah	101,800	22,800	462
[illegible]mont	**42,800**	**18,400**	**400**
Virginia	408,400	94,900	2,006
[illegible]ashington	**353,800**	**49,400**	**1,261**
West Virginia	78,100	12,000	297
Wisconsin	**533,000**	**178,000**	**4,206**
Wyoming	9,800	1,700	40

Robinson/
Walters

Abraham Lincoln
on
Informing the American People

I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crisis. The great point is to bring them the real facts.

Chapter 5

"Selling" NAFTA – Myth vs. Reality

In June 1990, the United Nations-sponsored Economic Commission for Latin America and the Caribbean published a handbook for its members about how to lobby the U.S. government. It serves as an interesting analysis of how the government of the United States really works.

The Commission reports that in other nations "attempts by foreigners at influencing decision-making processes are commonly understood as interference in internal affairs." But in the United States, the Commission says, "lobbying constitutes a lawful opportunity available to [foreign] interest groups to exert influence and to have an impact on policy."

Actually, influence over the decision-making process in Washington is for sale to the highest bidder.

As the Commission report makes clear, foreign interests can buy the knowledge, contacts, and advice of "both famous and not-so-famous former government officials and Members of Congress — Washington's so-called revolving door, as well as lawyers, public relations specialists, coalition builders, marketing experts, communicators, consultants, and many others who have experience in government or on Capitol Hill."

These Washington insiders provide a variety of services to foreign governments. As the Commission handbook points out, the cafeteria of influence-peddling options provided by one prominent Washington law firm includes, "legal services, Washington lobbying, grassroots lobbying, coalition building, public relations, media strategies, economic consulting, management consulting, political fund raising, issues monitoring, and event planning. In addition, other firms offer media production, direct mail, political consulting, and opinion polling."

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

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

Mexico Comes to Washington

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

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

- Robert Herzstein, a former U.S. Under Secretary of Commerce for International Trade, is now Mexico's lead U.S. legal counsel for NAFTA. Also, the Center for Public Integrity reports that Mexico paid his law firm $5.2 million between August 1991 and January 1993.
- William Brock, the former United States Trade Representative (USTR), is now Mexico's principal U.S. trade and political advisor on NAFTA. While serving as USTR in 1982, he initiated discussions with Mexico about a trade and investment agreement. Later, Mexico paid Brock's firm $191,000 between January 1991 and December 1992.
- Timothy Bennett, the former deputy assistant USTR for Mexico, is now the Mexican negotiating team's technical advisor. Mexico paid his firm $223,000 between August 1991 and December 1992.
- Charls Walker, a former Deputy Secretary of the Treasury, now collects political intelligence from the U.S. Congress on behalf of Mexico. In addition, he is lobbying the new Members of Congress elected in 1992 to support NAFTA. For his services, Mexico paid Walker's firm $727,000 between July 1991 and December 1992.
- Joseph O'Neill is now a key lobbyist for Mexico. O'Neill is the former assistant to the Senate Finance Committee that oversees all trade legislation. O'Neill is now charged by Mexico with the task of getting Congress to ratify NAFTA. Mexico paid O'Neill's firm $455,000 between June 1991 and October 1992.

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

Mexico has also hired many prominent Hispanic-Americans to be its NAFTA spokespersons. One spokesperson, Toney Anaya, formerly served as Governor of New Mexico. Another, Gabriel Guerra-Mondragon, served as a top aide to the U.S. Ambassador to Mexico, and, more recently, as a member of the Clinton Presidential Transition Team. A third spokesman, Edward Hidalgo, was once Secretary of the Navy. Their job now is to convince their fellow Americans — especially Hispanic-Americans — that NAFTA will benefit them.

The Center estimates that Mexico will spend more than $30 million on its NAFTA campaign. The Center also notes that this $30 million is probably a low estimate because it is based only on lobbying expenditures that have to be reported under the federal government's Foreign Agents Registration Act. This is riddled with loopholes. Other experts on lobbying believe the $30 million estimate is less than half the amount that Mexico will actually spend to attempt to get the United States Congress to ratify NAFTA.

Mexico's political campaign in Washington is extraordinarily well organized. Early on, the Mexican government established a separate NAFTA office in Washington and put a skilled Mexican businessman in charge. He and the Mexican ambassador tightly control their army of Washington insiders.

To help in this process, Mexico has staffed its Washington, D.C. NAFTA office with enough people to monitor every phase of their lobbying campaign. One staffer coordinates Mexico's lobbying efforts with the U.S. corporations that are also advocating passage of NAFTA. Another Mexican official closely monitors the position of each Member of Congress on NAFTA. This allows Mexico to concentrate its lobbying on the Members who are still undecided about how to vote on the agreement.

Another Mexican official manages the "Hispanic outreach" program in the United States. As a measure of Mexico's thoroughness, it also has an official assigned to coordinate the lobbying of U.S. environmental groups.

In addition to managing its Washington team, Mexico's NAFTA office arranges for Mexican officials to visit prestigious forums throughout the United States. Over the past two years, the President of Mexico and his cabinet have spoken before dozens of U.S. audiences. The Mexican message is always the same: American workers have nothing to fear from NAFTA.

The Mexican lobbying coordinators meet with their top Washington agents at least once a week. At these meetings, Mexico's "Team NAFTA" shares information and coordinates its efforts to persuade Congress.

Mexico is aided by many prominent and well-connected Americans who have financial interests in Mexico. These influential Americans contact newspaper publishers, editorial writers, and reporters. Again, the message is the same: NAFTA is good for the United States. To help the influential Americans working on behalf of Mexico keep their message consistent, Mexico's U.S. public relations team distributes talking points about NAFTA and stands ready to write articles that can be signed and submitted for publication by the influential Americans.

Mexico has left nothing to chance in their campaign to convince the U.S. Congress to ratify NAFTA. Mexico has hired a well-known former senate aide to escort key congressional staff members to Mexico, all expenses paid by the Mexican government. Since Mexico began its campaign to persuade the U.S. Congress to ratify NAFTA, more than 76 senior congressional staffers have taken all-expense paid trips to Mexico where they are wined, dined, and lobbied. Mexico knows that individual members of Congress will depend on the advice of their aides about how to vote on the ratification of NAFTA.

Mexico is a good neighbor and a friend of the United States, but the U.S. should not be subjected to foreign political campaigns and foreign lobbying. Former public officials should be prohibited from cashing in on their public service, as so many are doing in this NAFTA campaign. Finally, if it is absolutely necessary for U.S. public officials — whether appointed, elected, or staff — to travel anywhere on government business, the complete tab should be paid by the U.S. Government. U.S. public officials should never be beholden to anyone, particularly not to foreign interests.

Big Business Wants NAFTA

Multinational corporations have had their eye on Mexico for years — not as a market of any real consequence, but as a locale for an unlimited supply of cheap, high-quality labor with weak unions and a sympathetic central government. Until recently, the principal obstacle to this corporate dream has been Mexi fierce resentment of both the United States and the multinati corporations.

For more than a decade, these companies and many po opinion makers have quietly, but persistently, worked on the of integrating the U.S. and Mexican economies. They have d studies, persuaded Mexican officials to sign "framework" vestment agreements, conducted conferences, written editor and done all of the things that shape public opinion and deba NAFTA is the culminating event.

U.S. corporations are spending as much as the Mexican go ernment to persuade Congress to ratify NAFTA. These expend tures are far less visible than Mexican expenditures, howeve because domestic companies are not required to report nearly much information about their lobbying efforts as are foreig interests. However, the enormity of this effort is apparent.

The U.S. corporate lobbying campaign to ratify NAFTA is led by a newly-formed lobbying group called USA*NAFTA. It has more than one thousand members, but the group's money comes from fewer than one hundred of those members. The CEOs of many of USA*NAFTA companies served as advisers to the U.S. negotiating team during the NAFTA negotiations. Most of the USA*NAFTA companies will profit greatly if Congress ratifies NAFTA.

USA*NAFTA has publicly stated that it is raising $2 million to spend on pro-NAFTA lobbying. This, too, is the tip of a larger political iceberg. Most of the sponsoring companies also maintain full-time lobbying offices in Washington. These lobbyists are working hard to get NAFTA approved.

But there is more. These same companies also provide major funding for the key business and trade associations in Washington, D. C., such as the United States Chamber of Commerce, the National Association of Manufacturers, the Business Roundtable, and dozens of others. All these organizations and their lobbyists are working hard to get Congress to ratify NAFTA.

Most of these U.S. corporations and trade associations also re large Political Action Committees (PACs) that have donated avily to the NAFTA advocates in Congress.

Finally, the largest lobbying organization in the United States is ing all that it can to persuade Congress to ratify NAFTA. That ganization is the executive branch of the federal government.

It is illegal for the executive branch to lobby Congress, but the hite House and the dozens of agencies under its control employ ndreds of people in a category called "congressional relations." 's the same thing as lobbying, but it doesn't pay as well.

The president's "congressional relations" staff is backed by the premier public relations machine in the world — the White House. The congressional relations staff also has the services of economists, statisticians, librarians, and clerks who can quickly find any piece of information needed to sell this agreement to Congress.

NAFTA Myths

A strange thing happens in the executive branch of our government when the president adopts a position on legislation — facts suddenly don't matter. The only goal is to get the legislation through Congress. The debate over NAFTA has reached that stage. The administration's team has one goal — get NAFTA ratified by Congress. In pursuit of that objective, a huge public relations effort is underway.

To sell this agreement, NAFTA proponents are using dozens of sales pitches. If one pitch won't work, then another is tried. But much of what is being presented as fact by NAFTA advocates in speeches and editorials crumbles upon closer examination. Here are some of the premier NAFTA myths:

Myth 1 — NAFTA Critics Are Racists

The quickest way to discredit a critic, discount an argument, or intimidate an opponent in U.S. politics is to label that person a "racist." It happens time and again because it works. Once a prominent official makes the smear, it is repeated by the media,

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and the victims are then forced to prove they are not bigots. The accusers are rarely criticized by the media.

The "racist" card is already being played by the pro-NAFTA advocates. High-level administration officials are telling reporters in "off the record" interviews that NAFTA opponents are racists. Several Members of Congress are making similar slurs in public. It is, of course, all planned and coordinated. Politicians who claim otherwise should be asked to explain such demagoguery to their constituents.

The fact that American workers don't want their jobs moved to Mexico is not "racist."

loss turnover page

Myth 2 — NAFTA Will Create More and Better U.S. Jobs

When NAFTA negotiations began in 1991, advocates claimed NAFTA would create more jobs for Americans. In 1992, during the middle of the negotiations, the U.S. Secretary of Labor testified before Congress that NAFTA would cost 150,000 American jobs. In July 1993, the Congressional Budget Office reported that the total number of lost American jobs would be "well under half a million." Notice a trend here?

The reason that most U.S. policymakers are so blind to the job shifting that will occur if NAFTA is ratified is that they rely on the dozens of "reputable" academic studies that say it won't happen.

loss turnover # over decade

Yet, these studies are based on unrealistic assumptions and flawed mathematical models. Most of these models assume, for instance, that the United States is operating at full employment, meaning that anyone losing a job has the skills and resources to get a comparable job almost immediately. They also assume that Mexico will not become an export platform into the United States for Asian and European manufacturers.

As absurd as these assumptions are, they are the least of the weaknesses found in the studies. Specifically, the International Trade Commission, the federal agency that analyzes the economic effects of U.S. trade agreements, reported to Congress in February 1993 that the most prominent of the NAFTA studies,

cluding its own earlier reports, are based on mathematical models that are unable to "capture" the effects of key elements of the agreement. One element is "the elimination of trade balancing requirements in the automotive sector, and rules-of-origin requirements in the computer, automotive, and textiles sectors." Yet computers, automobiles, and textiles are a major component of U.S.-Mexico trade.

In addition, the International Trade Commission concluded that these models were unable to satisfactorily calculate the effects of NAFTA on key agricultural sectors, like sugar, because of "special factors such as changes in government price support programs in both the Mexican and U.S. sectors as well as liberalization under NAFTA of quota on imports of downstream products in the sugar-containing products sector." But agriculture is also a major component of U.S.-Mexico trade in this agreement.

Most important, the International Trade Commission reports that the mathematical models do not "incorporate potential increases in Mexican investment resulting from NAFTA." In plain English, this means these models cannot calculate whether NAFTA will result in U.S. companies moving to Mexico. And since these model makers cannot do the calculations, they assume that U.S. companies will not relocate. These mathematical model studies are worthless.

Let's be clear about this: these studies certainly do not provide a basis on which Congress can make an informed decision about NAFTA.

Treasury

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Myth 3 — U.S. Companies Will Relocate to Mexico With or Without NAFTA

It is true that many U.S. companies have already moved some of their operations to Mexico under the Maquiladora Program. For these U.S. companies, the risk associated with Mexico's court system and political system is not an obstacle. For many other U.S. companies, these legal obstacles are too large. NAFTA is the ticket for this latter group. It guarantees quick payment for nationalized properties at market prices, protects the intellectual property rights of investors, ensures currency convertibility, and allows foreigners to take their profits out of Mexico. Disputes will be settled by a new institution that is beyond the reach of Mexican courts. All these investor protections are in an international agreement that is beyond the reach of Mexican politicians.

If a U.S. company has been sitting on the fence trying to decide whether to move its manufacturing operations to Mexico, then NAFTA removes most of the remaining impediments and doubts.

In other words, if NAFTA is ratified, the stream of U.S. factories flowing to Mexico will become a flood.

Myth 4 — Low Mexican Wages Don't Matter

Walters

Dozens of speeches and editorials by NAFTA advocates have included the following message, "If low wage rates mattered in determining where to locate factories, Haiti would be the most industrialized country in the hemisphere." Sometimes, Bangladesh is substituted for Haiti. The real reason U.S. manufacturers do not go to Haiti or Bangladesh is that these countries don't have the political stability or investment guarantees of NAFTA.

The argument made by these advocates is that Mexico's low wages reflect low productivity, giving companies little reason to relocate.

This argument is wrong on three counts. First, Mexican workers are very good. Dozens of articles in leading publications, such as the *New York Times* and *Business Week* document that although overall U.S. productivity is much greater than Mexico's, the productivity of the new Mexican plants operated by U.S. corporations is fully competitive with plants located anywhere in the world.

Second, the vital link of workers getting more pay for greater productivity has been broken by the Mexican government's wage controls. This is why real wages in Mexico have dropped by more than 50 percent over the past decade, even as Mexican workers in the export industries have dramatically increased their produc-

ity. Mexico's government is deliberately using low wages to re foreign manufacturers.

Finally, labor costs are the principal cost of production for ost U.S. manufacturers. They have few means to cut the costs f interest, taxes, supplies, components, energy, and other factors of production. But management can cut labor costs. In the 1980s, most U.S. companies eliminated entire layers of workers. Now, a large and growing number of companies are cutting labor costs by using low-wage, temporary workers and denying them any benefits. Other manufacturers are moving to Mexico in search of cheap labor.

The arithmetic of relocation is awesome. The Internal Revenue Service reports that U.S. manufacturers have average taxable profits of three to five percent on sales. A quick way to boost those profits is to find workers who will do the same work for less pay. By moving factories to Mexico, companies can cut their costs of labor by 80 percent or more. If labor is 20 percent of the total cost of production in the United States (which it is for half of all U.S. manufacturers), a shift to Mexico means a savings of 16 percent on total production costs. For most companies, just one year's savings on labor will pay for the cost of relocation. Thereafter, most of these savings translate to increased profits.

The question, therefore, is this: will large numbers of U.S. manufacturers abandon their American workers and relocate to Mexico if they can generate cost savings and vastly increase their profits under the protection of NAFTA?

Myth 5 — Mexico Is A Vast Market For U.S. Exports

Walters

The raw statistics of U.S.-Mexican trade give the mistaken impression that Mexico is a vast and growing market for American exports. A closer look, however, reveals a far different picture.

Of the $40.6 billion of U.S. exports to Mexico in 1992, $15.5 billion was capital goods — that is, factories. For example, when Smith Corona closed its typewriter factory in Cortland, New York last year and shipped its manufacturing equipment to Tijuana, Mexico the transfer of equipment counted as an "export"

K goods sold at rate to EC

from the United States. At this rate, the U.S. will go bank running up trade surpluses.

More than $6.7 billion of the $40.6 billion in U.S. exports w auto parts shipped to U.S. automakers in Mexico for final asse bly. These final assembly jobs once belonged to Americ autoworkers.

Another $9.4 billion of U.S. exports were for industrial su plies that were used in the manufacturing of products — a larg portion of which were shipped back to the United States.

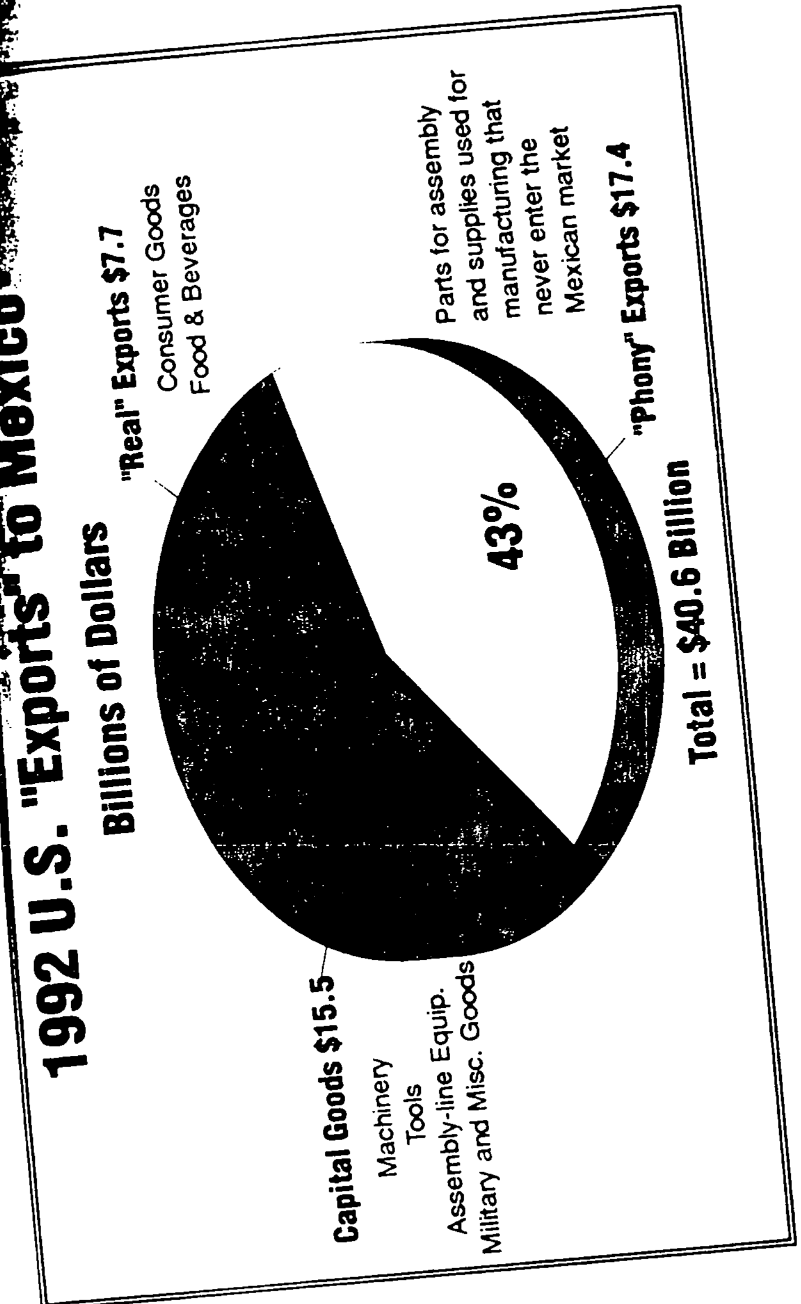
So, of the $40.6 billion of U.S. exports, less than $8 billio actually entered the Mexican market as consumer goods, food and beverages. Most of the so-called U.S. exports to Mexico are little more than "work-in-process" inventory that is returned fo sale in the United States.

During 1992 the largest category of U.S. exports to Mexico was capital goods — machinery and equipment that will be used to manufacture items that were once manufactured in the U.S. by American workers. The graph on page 71 tells the story.

Myth 6 — NAFTA Creates a Vast New North American Market

NAFTA advocates constantly argue that "Once ratified, NAFTA presents great economic opportunities to all three countries — the United States, Canada, and Mexico — and creates an estimated $7 trillion market for 362 million people."

This myth omits one important fact. The United States *is* the market. The U.S. economy constitutes more than 85 percent of the North American market, while Mexico's economy is only four percent of the market. There is no doubt about it — Mexico has a lot of people. Of the 362 million people in North America, almost 90 million are in Mexico — approximately 25%. But Mexican consumers do not have the money to buy American or Canadian exports. The annual per capita income in Mexico is less than $2,500. The goods Mexican consumers might buy, such as radios and stereos, are made in Asia. What Mexico really offers certainly *is not* a large consumer market but *is* a plentiful supply



of low-wage workers. The graph on page 73 explains the relationships.

The only significant opportunity the U.S. has to export to Mexico is the opportunity to sell capital goods to U.S. factories relocated in Mexico. The grim reality of this arrangement is the loss of millions of American jobs.

Myth 7 — NAFTA Will Reduce Illegal Immigration

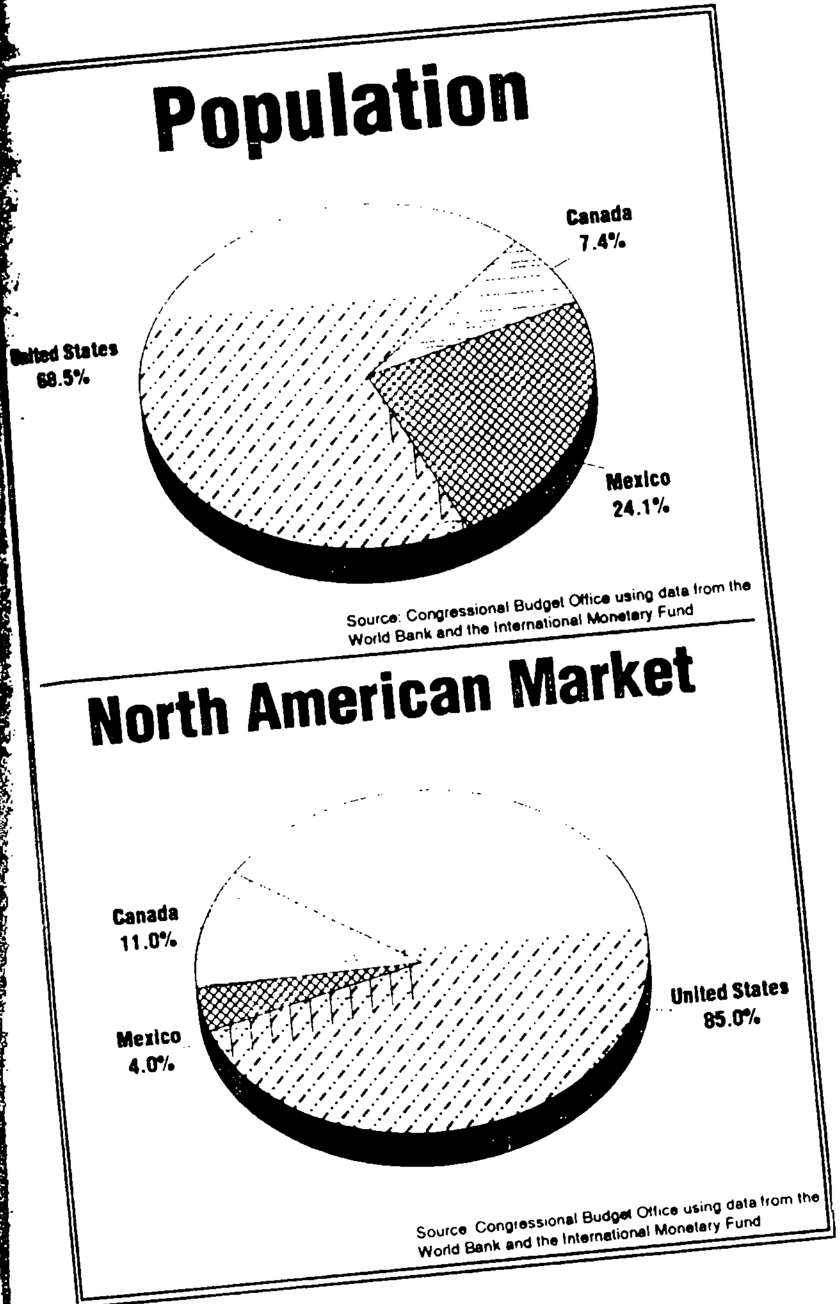
As manufacturing in northern Mexico expands, hundreds of thousands of Mexican workers will be drawn north. They will quickly find that wages in the Mexican maquiladora plants cannot compete with wages anywhere in the United States. Out of economic necessity, many of these mobile workers will consider illegally migrating into the United States. In short, NAFTA has the potential to increase illegal immigration, not decrease it.

Myth 8 — Rejection of NAFTA Will Cost 400,000 American Jobs

The United States Trade Representative and other administration officials have testified that if Congress rejects NAFTA, the United States will lose 400,000 jobs. This estimate has been widely repeated. It is nonsense.

The estimate of 400,000 lost jobs is based on the assumption that U.S. exports to Mexico will rise by almost one-third by 1995 — a $13.4 billion increase — if NAFTA passes, or to about a $54 billion level. At the same time, the administration estimates that exports will fall by a quarter if NAFTA is rejected — that is, from $40.6 billion today to $31 billion.

How did the administration get that 400,000 job figure? Economist Thea M. Lee was asked the same question by Congress. She punctured this balloon. Lee told Congress that the drop of exports from $40.6 to $31 billion accounts for 161,000 jobs. But, when Congress asked, "Where do the other 239,000 lost jobs come from," she responded as follows: the loss of 400,000 jobs is not measured from current levels, but from the mythical height of 900,000, which is never actually attained, but only assumed to be possible.



Chip → rejection of direction in which Mexico is moving to liberalize.

The administration's 400,000 job loss claim is baseless; just more blue smoke and mirrors.

Myth 9 — Rejection Of NAFTA Is A Rejection Of Salinas

One U.S. Senator has written that a "repudiation of NAFTA would be a personal repudiation of President Salinas, who first requested the negotiations."

A former Secretary of State writes that "Defeat of NAFTA would do incalculable harm to the reform process President Salinas has so successfully begun."

Administration officials argue in private that if NAFTA is rejected, President Salinas might not be able to choose his successor and the ruling PRI's dominance of Mexico's politics might be endangered.

Again, let's be clear here. This is supposed to be a trade agreement. It must be evaluated on what is best for the American people, and particularly American workers. American jobs should not be used as a foreign policy device to take sides in the upcoming Mexican elections.

From the beginning of negotiations, everyone has understood that Congress has the right to reject this agreement. The sole criterion by which NAFTA should be judged is "is it good for America?"

Each of these myths is being repeated in countless forms as the Congressional vote on NAFTA approaches. Upon examination, however, all the myths are merely rationalizations designed to give Members of Congress an excuse to vote "Yes" on NAFTA.

It is up to you, the American voters, to tell Congress to vote "No" on NAFTA.

Ron/Samuel

Chapter 6

What's in NAFTA

As the battle over the federal budget began to heat up in July 1993, the national media got a copy of a White House memorandum that told administration officials what to say about the president's budget proposal. They were instructed to skip the details and simply state that the plan will "be good for the country, good for the economy and good for middle-class working families."

The president's staff was also advised to project "optimism, energy, and enthusiasm." The memo said, "Even your most cynical critics will walk away impressed with your commitment... Your body language, attitude and confidence will be infectious."

NAFTA is being sold in a similar manner — skip the details and make optimistic, but vague, claims; all presented with energy, enthusiasm and positive body language, whatever that is.

Is it any surprise, therefore, to learn that only a few Members of Congress have read NAFTA or understand its implications? It shouldn't be. Most Members of Congress are learning about NAFTA from foreign lobbyists, special interests, or from the short summaries of the trade agreement prepared by the special interests and the governments of the United States, Canada, and Mexico.

America's business should not be conducted this way. But the reality of the situation is that the elected servants must deal with an enormous volume of information and documentation. In one sense, they are the victims of their own creation — a huge bureaucracy that is capable of producing more legislative proposals than any one person can possibly comprehend.

While there is no substitute for reading the actual agree[illegible] it is unlikely that very many Members of Congress will ta[illegible] time or make the effort to read it before they must cast their [illegible] Reading and understanding a 1,100-page document with [illegible]guage similar to a life insurance policy is something that [illegible] people have time to do.

Yet, elected servants bear the burden to ensure that they [illegible] hearing all sides of a particular issue and know what they [illegible] doing when they vote, particularly on something as dangerous [illegible] America's economic future as NAFTA.

The remainder of this chapter is devoted to a summary of NAFTA. Special attention is focused on the provisions affecting American jobs and U.S. sovereignty.

The Basic NAFTA Document

The North American Free Trade Agreement is a two-volume document with a blue cover. The 570 pages in Volume I present the key provisions of the agreement between Mexico, Canada and the United States.

Volume II consists of 450 pages. Of these pages, 147 are devoted to "exceptions" to NAFTA. Another name for an exception might be a "special treatment provision." If you've just finished negotiating a deal with someone, you might judge your negotiating success on the number of "special treatment provisions" to the contract that you were able to get — the more the better. We've already seen several examples of one country or two countries receiving special treatment or exceptions under NAFTA. We'll see several more exceptions in this chapter.

The NAFTA document conveniently summarizes the exceptions on a country-by-country basis. It shouldn't come as any surprise to learn that the United States has the fewest pages of exceptions — a total of 21. Canada has twice as many pages —

Mexico has twice as many pages of exceptions as Canada— [illegible]l of 84. If you've ever traveled in Mexico and tried to buy [illegible]hing, you quickly learned not to accept the first offer that [illegible]one gave you. Maybe the U.S. negotiators didn't spend [illegible]gh time in Mexico before they began negotiating.

Because NAFTA incorporates virtually all the provisions of [illegible] 1988 Canada Free Trade Agreement, very few changes in [illegible]de between Canada and the United States will occur if NAFTA [illegible] ratified by Congress. As a result, the North American Free Trade Agreement basically defines Mexico's new relationship with its two northern neighbors. NAFTA integrates a very underdeveloped country with two very developed countries.

NAFTA — Volume I

Part One — General Matters

Volume I is divided into eight parts and 22 chapters. Part One is very short. In only seven pages, which are divided into two chapters, Part One describes the six basic objectives of the agreement, defines the terms that are used, identifies NAFTA's relationship to existing international trade and environmental agreements, and states the obligations that each nation assumes once the agreement is adopted.

Of the six objectives, *three are concerned with the principal goal of the agreement — protecting foreign investors who do business in Mexico.*

Extent of Obligations — The most important provision in Part One is Article 105 which defines the obligations of the three countries if NAFTA is enacted. It states *that each government* "shall ensure that all necessary measures are taken in order to give effect to the provisions of this Agreement, including their observance, except as otherwise provided in this Agreement, by state and provincial governments."

This is a very, very broad commitment on the part of the United States if NAFTA is ratified by Congress. Not only will the United

Gen Counsel

Jim S.

States be bound to change its federal laws that conflict with NAFTA, but it will also make a commitment to see that any state laws that conflict with NAFTA are changed. Many existing laws and regulations at all levels of government will be superseded by NAFTA.

Equally important, NAFTA gives Mexico and Canada the right to challenge the legality of our federal, state, and local laws as illegal trade barriers. Any challenge will be considered in secret by a panel of international trade bureaucrats. There is no appeal process involving the U.S. justice system. The third branch of U.S. government, the judiciary, and the American right to due process have been negotiated away. What happened to the system of checks and balances? If the United States loses a decision before this board of international arbitrators, the United States is obligated to change its laws or pay a penalty to the other nations.

The impact of this provision on U.S. sovereignty is neither trivial nor far-fetched. In the late 1980s, the United States banned tuna imports from Mexico under the provisions of the U.S. Marine Mammal Protection Act, which protects dolphins from lethal fishing methods. Mexico challenged the legality of the U.S. law under the General Agreement on Tariffs and Trade (GATT), the world trade agreement. In August 1991, a GATT panel ruled that the U.S. law is an illegal trade barrier. An appeal of the matter is still pending.

In 1990, Canada challenged U.S. excise taxes on beer, wine, and cider. As part of its opinion in this case, a GATT panel of arbitrators established a significant precedent with respect to the effect of both U.S. federal law and state law. The international panel declared that, "GATT law is part of the United States federal law and, being based on the Commerce Clause of the Constitution, overrides, as a general matter, inconsistent state law." GATT ruled that the U.S. federal government must take all measures within its constitutional authority to force compliance with GATT by each of its state governments.

As these examples suggest, NAFTA obligates the United States in ways that are only dimly understood. An international

agreement of such importance to the United States should never have been negotiated in secrecy or in haste. Congress should not attempt to ignore the impact of NAFTA on the United States by limiting itself to only 20 hours of debate in the House and 20 hours of debate in the Senate as provided by "fast track." This is reckless and irresponsible. What's the hurry?

Andy S.

Part Two — Trade in Goods

Part Two of NAFTA specifies the rules that will be used to guide trade between Mexico, Canada, and the United States. In 151 pages, which is divided into eight chapters, Part Two defines the future for thousands of U.S. companies and millions of American workers.

National Treatment and Market Access for Goods — Chapter Three describes in great detail the goods that can be traded under NAFTA, the duties that can be charged, the restrictions that can be imposed, and the exceptions. The net effect of this section is to quickly open the U.S. market to goods shipped from Mexico.

Under NAFTA, the United States must eliminate all of its tariffs on automobiles imported from Mexico, while Mexico only has to reduce its tariffs on autos made in the United States over a ten-year period. Mexico and Canada can impose domestic content restrictions on auto makers requiring that significant portions of all vehicles sold in their countries must be made there. *No reciprocal right exists for the United States.* NAFTA makes Mexico a very attractive manufacturing center for U.S., Japanese, and European automakers.

The U.S. apparel market is further opened under NAFTA to producers operating out of Mexico. Open access to U.S. markets will speed the flight of American apparel companies out of the United States in search of low-wage Mexican labor. U.S. and Canadian negotiators won an exception in this part of the agreement requiring that a substantial portion of the apparel made in Mexican factories must use yarn, thread, and fabric manufactured in North America. The intent is to protect U.S. and Canadian textile jobs. However, *Chinese and other foreign textile ma- have already figured a way around this provision by buil- their own factories in Mexico.* U.S. textile makers who wan- be competitive will be forced to move jobs to Mexico or go of business.

For the next ten years, Mexico can prohibit the import of types of used equipment. The equipment that cannot be shipp- into Mexico includes virtually every type of construction equip- ment imaginable, such as scrapers, graders, draglines, cranes, an- tamping machines. Mexican manufacturers and foreign equip- ment makers with Mexican factories are protected from inexpen- sive imports of used equipment. Assuming that new construction equipment produced in the United States cannot compete from a price standpoint, the sale of used equipment would have been the only hope for U.S. equipment manufacturers. As a result of this NAFTA restriction on U.S. equipment manufacturers, only con- struction equipment produced in Mexico will be used in the post-NAFTA building boom. It's a cozy little arrangement nicely protected under NAFTA. Whose interests were the U.S. negotia- tors looking out for?

Rules of Origin — Chapter Four establishes rules that deny preferential treatment for goods produced outside of North America. The way for a Japanese or European company to get preferential treatment, of course, is to build a factory in Mexico. This is exactly what the Mexican government is encouraging investors from outside of North America to do.

Customs Procedures — Chapter Five requires each nation to provide assurances that a product exported to one of the other two participating countries was produced in the country that exported it. The idea is to make certain that Mexico does not become a transshipment station into the United States and Canada for goods manufactured outside of Mexico.

The problem, of course, is enforcement. The flow of trucks across the Mexican border has grown far faster than the capacity of the U.S. Customs Service to inspect the goods. The state of California reports that the volume of commercial traffic entering

-ornia from Mexico increased from 391,000 vehicles in 1983 -ore than 786,000 in 1990. The volume will expand even more -AFTA is ratified by Congress.

According to the General Accounting Office, the United States -1,800 inspectors along the border in 1990 when their work -d demanded 2,500. If traffic increases again by another one -dred percent, as it surely will, the U. S. Customs Service will -d an additional 2,500 inspectors. The likely result is not -ough inspectors to cope with a flood of imports across the -S.-Mexico border.

Take this situation a step further. Assume that the United States -ould put enough customs agents along the border to inspect -very item exported from Mexico to the United States. Are those customs agents going to be able to tell the difference between a shirt made by prison labor in China and a shirt made in Mexico?

Energy and Basic Petrochemicals — Under Part Two, Chapter Six of NAFTA, Mexico retains its constitutional prohibitions on foreign ownership of its energy resources. While citizens of Mexico can own oil companies in the United States, the reverse is not true in Mexico. The agreement does allow U.S. companies to export natural gas and petrochemicals into Mexico, and to participate in ownership of companies that generate electricity and provide contract services to Mexico's state-owned energy monopolies. For the most part, however, Mexico kept energy, one of its principal industries, off the NAFTA negotiating table.

Agriculture, Sanitary, and Phytosanitary Measures — Chapter Seven is one of the most important parts of NAFTA. The negotiations on this section were handled in the worst possible way. First, Canada refused to negotiate jointly with the United States and Mexico because it didn't want to risk losing any part of the very good deal they struck in the 1988 Canadian Free Trade Agreement. Mexico negotiated one deal with Canada and another deal with the United States. The U.S.-Canadian negotiations simply reaffirmed the existing trade pact between the two countries.

Nothing in NAFTA [illegible] any US standards

NAFTA's text contains one agreement that applies to agric tural trade only between Canada and Mexico, and another agree ment that applies only to Mexico and the United States. In eac agreement, new tariffs are specified on a product-by-prod basis for dozens of agricultural products.

Two of the most important provisions, however, concern the export of wheat and corn to Mexico. Under NAFTA, Mexico market will be opened to U.S. and Canadian exports of bot commodities. But, U.S. wheat farmers will be at a price disad vantage because the 1988 Canada Free Trade Agreement already permits Canada to subsidize the wheat production of its farmers

Perhaps the greatest dangers from NAFTA are contained in the food hygiene standards. NAFTA's lax standards undermine ex isting U.S. health and environmental standards. Rather than adopt the highest possible food hygiene levels, NAFTA adopts stand ards developed by something called the Codex Alimentarius Commission, plus those of the International Office of Epizootics, the International Plant Protection Convention, and the North American Plant Protection Organization.

[illegible] can apply more stringent

The Codex, a United Nations organization, is a standards-set ting body whose members are national governments. It meets every two years to ratify standards — such as those on pesticides, residues, and meats — that are proposed by its committees.

The Codex delegations create a problem because they rely heavily upon the expertise of executives from the very industries that are to be regulated. Again, the numbers reveal a lot: the U.S. Advisory Panel to the Codex Alimentarius at a recent standards review was composed of representatives from 14 food and chemical companies, six food and chemical trade associations, but only two consumer groups.

As in other parts of the U.S. government, the revolving door is once again a problem. The leader of the U.S. Codex team until 1991 was the Under Secretary for Agriculture. In August 1991,

cashed in on his government service and became the chief bbyist for the National Food Processors Association.

A comparison of the Codex standards with standards of the od and Drug Administration (FDA) and the Environmental otection Agency (EPA) reveals the recklessness of the Ameri n negotiators in adopting those standards. For example, the odex allows five times more heptachlor on broccoli than the DA, ten times more DDT on carrots, three times more aldrin on ettuce, and 50 times more DDT on peaches. The Codex also allows 25 times more benomyl on carrots than the EPA, 40 times more permethryn on apples, three times more lindane on straw berries, and almost two times more aldicarb on bananas.

The Codex and other United Nations' standard-setting bodies are a quick and easy way to get around U.S. hygiene standards. It's really simple:

- Load the Codex committees with representatives from indus try;
- Have the industry officials set weak standards;
- Get the standards adopted by the Codex;
- Persuade governments to use the Codex standards in their trade agreements;
- Use the exemptions provided by the trade agreements to enter the U.S. market with foods that would never meet the U.S. hygiene standards.

NAFTA is back-door deregulation of U.S. health and environmental standards.

Part Two, Chapter Eight is supposed to provide any one country protection from a flood of imports from one or both of the other two countries if an industry in the one country is seriously threatened. The provision only remains in force for ten years. However, its administrative procedures are so slow and bureaucratic that a U.S. industry asking for relief would be financially dead by the time any relief action were taken.

Part Three —Technical Barriers to Trade

Chapter Nine, which is only 22 pages long, compri Part Three. It defines the standards that will be used f under NAFTA, excluding those for food hygiene wh defined in Chapter Seven.

The objective of Chapter Nine is to equalize the standar by the three nations in a vast array of areas such as lab pharmaceutical testing, communications, health standards transportation safety among others. While the goal should raise Mexico's standards, which are lower than those of United States, NAFTA uses international standards as the fo dation for setting rules in the future. Many of these internatio standards are lower than existing standards in either Canada the United States.

An apparent U.S.-inspired provision (probably from a pang conscience) allows each of the three nations to establish high domestic standards, and to exclude imports that fail to meet the higher standards. However, any standard stronger than the official international standard can be challenged as an unfair trade barrier. The challenge will be decided by a trinational panel of trade bureaucrats operating in secrecy.

Put another way, NAFTA forces the United States to justify its domestic regulations to Mexico and Canada. Instead of bringing the Mexican standards up, NAFTA will lower U.S. standards on health, safety, and the environment. U.S. trade negotiators should never have put the American consumer in this position.

Part Four — Government Procurement

This 79-page chapter opens country's government procurement operations to suppliers from the other two countries. NAFTA specifies which government agencies will accept foreign bids, provides equal competitive opportunities to bid, and makes certain that the rules are fair for all.

The big gain for the United States is that U.S. companies will be permitted to do work for PEMEX, Mexico's giant petroleum industry. But the price is high. For instance, NAFTA will nullify

no - we have an exemption for the buy Am. act

ral *Buy America Act*, which provides that federal outlays used to buy competitive U.S. products. NAFTA will also ine the *Buy America* laws of 35 states and hundreds of NAFTA allows Mexico and Canada to challenge *Buy ica* laws as illegal trade barriers.

Treasury

ere is another consideration — government procurement in United States is more than five times greater than that of xico and Canada combined. Hence, Mexican and Canadian pliers get access to a big market and U.S. suppliers get access a little market. Some deal.

rt Five — Investment, Services, and Related Matters

Make no mistake about it: this is the core chapter of NAFTA. lthough it lies neatly buried in the middle of the document, this eally should be the first chapter — everything else is sort of incidental. This chapter is comprehensive, and the exceptions to the agreement are defined in exquisite detail. The U.S. negotiators obviously gave these provisions a great deal of time and thought.

Investment — The protections provided in this pact cover not only investors from the three signatory countries, but also investors from other nations that do business in North America. Foreign investors already have these protections in the United States and Canada. NAFTA extends protection for foreign investors to Mexico, thereby increasing Mexico's attraction to European and Asian investors.

The investment chapter defines a series of commitments, mostly for Mexico, that will make doing business in Mexico much like doing business in either Canada or the United States. In the process, Mexico surrenders many of the restrictions that it once imposed on the operation of foreign businesses and allows foreign investors to operate in industries that were once reserved to Mexican citizens.

In NAFTA, Mexico agrees to allow foreign investors to take home any profits, dividends, interest, capital gains, royalty payments, management fees, and other monies derived from investment in Mexico. This new ability to take money out of Mexico very important to foreign investors.

In NAFTA, Mexico agrees not to nationalize or expropri foreign investments. However, in the event Mexico does natio alize or expropriate foreign investments, NAFTA protects th foreign investors by requiring compensation to be paid in full without delay, and at a rate equivalent to the fair market value of the expropriated property.

The question that investors must ask themselves, of course, is this: if the promise not to nationalize foreign investments is broken, what are the chances that the promise to reimburse the foreign owners will be kept? The most likely remedy for American investors would be to get the U.S. government to impose high import tariffs that can be used for compensation and also permit fast tax write-offs — all of which will come out of the pockets of U.S. taxpayers.

Under NAFTA, investor disputes will be handled by a new institution that is beyond the reach of Mexico's judicial system and the United States' judicial system. Foreign investors will go to international arbitration to seek binding awards for any violations of NAFTA, and secure those awards under both NAFTA and other international treaties.

Finally, with its status as an international agreement, NAFTA's investor protections are beyond the reach of Mexico's politicians. NAFTA is intended to create political stability where it might not exist.

NAFTA also makes some important exceptions for foreign investment, most of which are at the expense of the United States. Canada, for instance, is allowed to review the direct acquisition by foreigners of all Canadian business assets over $5 million and the indirect investment of more than $50 million in uranium, oil and gas, financial services, transportation, and the entertainment industry. Mexico is allowed to review foreign investments over $25 million, an amount that will rise over time.

Mexico and Canada want to know who is investing in their untry and whether those investments are in their national erest. Mexico and Canada reserve the right to limit or prohibit reign investors. The United States does not have this same right der NAFTA.

Canada can also require U.S. investors to transfer technology Canada as a condition of doing business within its borders. NAFTA prohibits the United States from imposing the same conditions on Canadian investors.

Mexico and Canada's entertainment industries (movie and television production, for example) have important exclusions under NAFTA. Similar exclusions are not available to the United States.

NAFTA allows Mexico and Canada to protect certain industries and to exclude U.S. investors (both individuals and corporations) at their discretion.

Cross-Border Trade in Services — The service industries of the United States are among the strongest in the world. NAFTA will provide U.S. service industries access to Mexico's closed market. At the same time, Mexican service providers will also gain full access to the rich U.S. market.

It is the intent of this section of NAFTA to eventually allow service providers to practice anywhere in North America. It also commits the United States to negotiate the removal of restrictions, licensing provisions, and performance measures that might exclude citizens of Mexico or Canada from providing services in the United States.

NAFTA commits the United States to ensure that the licensing of professionals or service providers is based on competence to provide the service and does not constitute a disguised trade barrier. NAFTA forces the United States to eliminate any citizenship and permanent residency requirements for professional service providers, such as doctors, lawyers, and accountants.

NAFTA is a threat to more than blue-collar jobs. Today, more than 15 million Americans work in professional occupations. All professionals have a major stake in ensuring the standards of their profession. Under NAFTA, those standards will be subject to a challenge which will be heard by an international panel. U.S. professionals will soon be competing with lower wage Mexican professionals in the U.S. service market.

Telecommunications — U.S. companies that move to Mexico may require top quality computer, data processing, and electronic data base services. The telecommunications section of NAFTA ensures that foreign companies in Mexico will have full access to public telecommunications networks, including privately leased lines, on reasonable and non-discriminatory terms. The goal of this provision is to allow foreign investors to have the same level of telecommunications services in Mexico that they can get in the United States or Canada.

Financial Services — Under NAFTA, Mexico can restrict foreign banks from controlling more than eight percent of the entire banking market. Mexico will have to allow this limit to rise to 15 percent by 1999. If foreign banks achieve 25 percent of the Mexican banking market between the years 2000 and 2004, Mexico can freeze foreign financial affiliate's market share at that level. This freeze may not remain in effect for more than three years. Mexico can restrict foreign banks to controlling no more than one-quarter of the Mexican banking market until as late as the year 2007.

The important result of NAFTA's financial provisions is they provide a safe haven for U.S. and Japanese banks that want to avoid banking restrictions in their own countries. The International Trade Commission explains how:

> NAFTA will likely have a modestly beneficial impact on long-term [banking] investment in Mexico. In the absence of U.S. domestic regulatory reform, however, long-term investment in Mexico's universal banking system will be particularly attractive to U.S. and Japanese banks. Once established as financial groups in Mexico, they will be able to operate commercial banking, investment banking, insurance, leasing, and factoring businesses simultaneously. The

> United State's Glass-Steagall Act and Japan's Article 65 separate commercial banking and investment banking in these two countries. Both regulations have provided incentives for U.S. and Japanese commercial banks to establish overseas operations, where they may participate more freely in securities-related activities.

In plain English, this means that U.S. banks will have every incentive to get their U.S. customers to establish affiliates in Mexico. Once the U.S. banks are doing business with their U.S. customers in Mexico, the banks can take an equity position in these enterprises and provide a wide array of high-risk investment services that are prohibited by U.S. laws. Japanese banks can do the same. No one should be surprised that U.S. banks are among NAFTA's strongest supporters — U.S. banks can make a great deal of money if the U.S. companies they serve move factories and jobs to Mexico.

While the United States has long permitted direct foreign investment in its insurance industry, Mexico has not. In one of NAFTA's more beneficial provisions, Mexico opens its insurance market to U.S. and Canadian companies. Today, only 20 percent of Mexico's cars are insured, and less than eight percent of Mexico's homes have household insurance.

Under NAFTA, U.S. and Canadian investors are permitted to own a majority position in Mexican insurance companies. Initially, the collective market share of the foreign insurance companies will be limited, but these restrictions are supposed to disappear within seven years.

U.S. insurance companies, to no one's surprise, are among NAFTA's biggest supporters.

Competition Policy, Monopolies, and State Enterprises — Both Mexico and Canada operate state enterprises that enjoy monopoly status within their countries. While the United States has an antitrust agreement with Canada, it does not have an antitrust agreement with Mexico. The basic intent of this provision is to establish a trinational working group that within five years will produce a set of recommendations to the three countrie on how to equalize antitrust laws and regulations in North Amer-ica.

If the other sections of NAFTA are any indication, there wi be well-organized and well-financed attempts to use this trina tional report as a means to weaken U.S. laws on monopolies an predatory business practices. This antitrust language should b spelled out prior to ratifications by Congress. This is Negotiatio 101!

Labor

Temporary Entry for Business Persons — This is one of th most important and most overlooked sections of NAFTA. Today foreign professional workers can enter the U.S. labor market, bu only "temporarily" and only if an employer gets a certificatio that a qualified U.S. worker cannot be found. Also, the existing U.S. immigration laws place a numerical limit on the number o temporary workers. Put another way, American workers have priority for American jobs.

- eg computer example

NAFTA radically alters this entire concept. Under NAFTA Mexican and Canadian workers in 63 designated categories may be hired in the United States, *even if qualified American workers are available.*

- effect on US immigration laws

NAFTA also eliminates, by stages, any numerical limits on the number of these professionals who can work in the United States. In year one of the agreement, only 5,500 professional "tempo-rary" workers from Mexico and Canada can enter the United States. After the first year, NAFTA obligates the United States to consider raising the ceiling. But in any case, another 5,500 can enter in the second year, and another 5,500 in the third year.

If any ceilings remain at the end of three years, the United States must enter into negotiations with Canada and Mexico. At the end of ten years, NAFTA allows an unlimited number of Mexican and Canadian professionals to enter the U.S. labor market on a "temporary" status.

GENERAL

1 Accountant
2 Architect
3 Computer Systems Analyst
4 Disaster Relief Insurance Claims Adjuster
5 Economist
6 Engineer
7 Forester
8 Graphic Designer
9 Hotel Manager
10 Industrial Designer
11 Interior Designer
12 Land Surveyor
13 Landscape Architect
14 Lawyer
15 Librarian
16 Management Consultant
17 Mathematician (including Statistician)
18 Range Manager/Range Conservationalist
19 Research Assistant
20 Scientific Technician/Technologist
21 Social Worker
22 Sylviculturist (including Forestry Specialist)
23 Technical Publications Writer
24 Urban Planner (including Geographer)
25 Vocational Counselor

MEDICAL/ALLIED

26 Dentist
27 Dietician
28 Medical Laboratory Technologist/Medical Technologist
29 Nutritionist
30 Occupational Therapist
31 Pharmacist
32 Physician
33 Physiotherapist/Physical Therapist
34 Psychologist
35 Recreational Therapist
36 Registered Nurse
37 Veterinarian

SCIENTIST

38 Agriculturist (including Agronomist)
39 Animal Breeder
40 Animal Scientist
41 Apiculturist
42 Astronomer
43 Biochemist
44 Biologist
45 Chemist
46 Dairy Scientist
47 Entomologist
48 Epidemiologist
49 Geneticist
50 Geologist
51 Geochemist
52 Geophysicist (including Oceanographer)
53 Horticulturist
54 Meteorologist
55 Pharmacologist
56 Physicist (including Oceanographer)
57 Plant Breeder
58 Poultry Scientist
59 Soil Scientist
60 Zoologist

TEACHER

61 College
62 Seminary
63 University

Source: North American Free Trade Agreement, Appendix 1603.D.1, Chapter 16, page 14.

Can only come in temp. for project —

There is more. Once "temporary" workers from Canada Mexico begin to work in the United States, their "temporary" status can be extended for an unlimited number of years.

NAFTA also expands the concept of "business worker" which previously meant the owner or executive-level employee of a company doing international business. The expanded concept includes business visitors who are paid from a non-U.S. source. Mexican and Canadian professionals, whether or not they have anything to do with international trade, can work in the United States so long as they are paid from a company in either Mexico or Canada.

Under NAFTA, Mexican and Canadian entrepreneurs will be able to provide U.S. drug stores with pharmacists, hotels with managers, builders with architects, schools with teachers, companies with accountants, hospitals with nurses, and manufacturers with engineers. As a result, hundreds of thousands of professional and semi-professional American workers are going to be put under intense pressure to cut their wages and benefits. Tens of thousands of other American workers are not going to be so lucky. They're going to lose their jobs to low-paid foreign contract workers from Mexico and Canada.

playing on laws.

While no one was watching, U.S. NAFTA negotiators radically revised the nation's immigration laws.

Part Six — Intellectual Property

Fn. 5

Intellectual property is a short way of saying the economic rights of the owners of patents, copyrights and trademarks. NAFTA provides these holders with strong protections.

The unstated goal of this section of NAFTA is to improve Mexico's laws until they are as strong and as rigidly enforced as those of the United States and Canada. The concern is real because Mexico has long been a transshipment point into the United States for counterfeit goods made elsewhere in the world, and its protections of intellectual property rights are weak. To provide the assurances wanted by the United States and Canada,

xico agreed to abide by the provisions of the principal international agreements on intellectual property rights.

NAFTA describes in great detail the procedures and standards t will be used to protect copyrights, computer programs, data, hotos, sound recordings, encrypted programs on satellites, ademarks, patents, layouts of semiconductor integrated circuits, ade secrets, and industrial designs. The real question is: can these procedures be enforced?

As with other parts of NAFTA, the underlying goal of this ection is to make operating within Mexico as safe for investors as operating within either the United States or Canada. While there is certainly nothing wrong with protecting intellectual property rights, it is a two-edged sword — it will protect U.S. and Canadian artists, inventors, scientists, and engineers, but it will offer additional incentives for moving operations and jobs to Mexico.

ex. of NAFTA's protection of US laws.

provision causes Mex. to enforce its anti piracy laws.

Highest level of intell. prop. ever negotiated

Part Seven — Administrative and Institutional Provisions

This part of the agreement defines how NAFTA will be administered and how disputes will be settled. It proposes some radical changes to the rights of U.S. citizens.

Publication, Notification, and Administration of Laws — This section of NAFTA is only three pages long. It binds each nation to establish tribunals that can review and, if necessary, adjust any final administrative actions taken to implement NAFTA. Each country is required to promptly provide the other two countries with information about any proposed action that might affect any provisions of NAFTA.

Andy S. fn

Review and Dispute Settlement in Antidumping and Countervailing Duty Matters — In simple language, NAFTA takes away the constitutional right of American citizens to seek redress in U.S. courts if they are harmed by several types of international economic crimes, such as "dumping." Dumping is a predatory business practice in which foreign industries sell their products at cutthroat prices often below the selling price for the same goods in the predator's domestic market or even below the

still file w/ ITC Comm. binat'l review —

(but doesn't D law)

cost of production. The purpose of dumping is to unfairly destroy competitors and take away their market share. Although this is illegal in the United States, Mexican and Canadian companies have engaged in these practices many times in the past.

NAFTA is crystal clear on this issue in Chapter 19 which states "As provided in this Article, each Party [nation] shall replace judicial review of final antidumping and countervailing duty determinations with binational panel review."

In the past, the Canadian and Mexican governments have also subsidized many of their companies, which gives them an unfair advantage in international competition. In those cases, the United States can still impose a tariff — a tax on the imported goods — that is equal to the amount of the government subsidy, thereby leveling the playing field.

Over the past several decades, the United States has often been the target of dumping and subsidized exports. Time and again, crime has paid. Dozens of industries, thousands of companies, and millions of American jobs have been lost to these illegal acts. The most visible of these losses is consumer electronics, which was destroyed by dumping in the 1960s and 1970s.

Subsequently, protections have been built into U.S. laws and victims have access to expedited methods to deal with these predators in U.S. courts. NAFTA would wipe out these rights and procedures. The NAFTA procedures are modeled after the procedures incorporated in the 1988 Canada Free Trade Agreement. They have received virtually no attention. Here's how they work:

If U.S. judicial procedures find that Mexican or Canadian firms are either dumping goods in the U.S. market or are being subsidized by their governments, the Mexican and Canadian governments can appeal the ruling by requesting the formation of a binational panel.

The rulings of the international panel are final. Ultimately, U.S. citizens and corporations are denied the protection of American laws within the United States.

The international panels are composed of people appointed by the respective governments. Moreover, a majority of these panelists must be lawyers — a job protection provision conveniently inserted by the U.S. lawyers who negotiated NAFTA.

A panel is composed of five people. The two nations each identify two panelists, and the four panelists then pick the fifth from a list. The U.S. panelists are selected from a list prepared by the White House.

In the spring of 1989, the White House identified a pool of 25 American trade experts from which the U.S. panelists would be selected under the CFTA. Of the 25 potential panelists, 14 were either registered foreign agents or senior partners in Washington law firms that serve as lawyer/lobbyists for foreign interests, including those from Canada.

The list of panelists is now kept secret. These panelists, who in effect serve as international judges, are not confirmed by the senate. Indeed, like the American public, the Senate does not even know who is on this list.

The work of the panel is done in secret, and the proceedings are not released to the public. The only appeal from a decision of a panel is to another international panel, and that panel's decisions are final. These are modern-day Star Chambers — secret courts empowered to decide matters of enormous consequence to Americans.

The authors of this kangaroo court system went a step further to discourage any challenge to their decisions. The CFTA implementing legislation states that, "in the event the provisions providing for the creation and operation of these binational panels is declared unconstitutional by the Appellate Court of the District of Columbia or by the Supreme Court, then the President is authorized on behalf of the United States to accept, as a whole, the decision of the binational panel...." Any action taken by the President "shall not be subject to judicial review, and no court of the United States shall have power or jurisdiction to review such action on any question of law or fact by an action in the mandamus or otherwise."

Furthermore, as one of Ronald Reagan's last acts as Pr he signed Executive Order 12662, dated December 31, which stipulates that in the event the Supreme Court fin the dispute resolution procedure contained in the CFTA is stitutional, the United States accepts as a whole, all decis the binational panels. This Executive Order is still in effe much for the American system of checks and balances.

After four years of experience with CFTA, there is evid of how this panel process will work. Canadian interests appealed the decision of 16 rulings of the U.S. International T Commission (ITC). Binational panels were created, and ten of 16 times they reversed the ITC ruling in favor of the Canadi U.S. industry has appealed three dumping decisions made by Canadian government. Panels were formed, and three out of th times they ruled in favor of the Canadians. Of the 16 panels reviewed ITC decisions, ten had one or more U.S. panelists w was either a registered foreign agent or from a law firm th represents foreign interests.

No one should be surprised to learn that these panels revers 67 percent of the U.S. dumping and countervailing duty ruling brought before them. In the process, these lawyer/lobbyists es tablished legal precedents that will favorably affect their clien in other cases.

By contrast, the Court of International Trade, which is an independent judiciary and handles all other trade appeals in the United States other than those in CFTA, has a reversal rate of only seven percent. It is a glaring difference.

The dispute resolution mechanism imposed on the United States is sufficient reason to reject NAFTA.

Institutional Arrangements and Dispute Settlement Procedures — NAFTA establishes a trinational Free Trade Commission that will supervise NAFTA's implementation and resolve disputes other than disputes concerned with dumping and

ntervailing duties. The agreement requires that the U.S. rep ntative be a cabinet-level appointee. Mexico, Canada, and the ted States also agreed to form a new trade bureaucracy that uld assist in the administration of NAFTA. This is just what U.S. taxpayers need — another international agency to sup rt.

The Free Trade Commission, its staff, and its mandate are the defined features of NAFTA, yet this Commission will wield bstantial power over U.S., Canadian, and Mexican trade. The ommission is responsible to staff binational or trinational panels at will resolve any disputes over the agreement. These panels ould be drawn from a roster of 30 people, who must be approved y each of the three governments, and who will serve a term of hree years. These panelists may be reappointed.

Dispute settlement panels will be composed of five people. But the three governments cannot select anyone from the roster of 30 who are from their own country. If the United States has a dispute with Mexico over some point in NAFTA, the United States must select panelists from either Mexico or Canada.

If a panel rules against the United States, the United States would be required to pay some form of compensation to either Mexico, Canada, or both countries. The net effect of this new supranational commission is to shift the judicial power over vital jobs-related issues from the hands of the U.S. Government and U.S. courts into the hands of international bureaucrats.

What's worse, the rules of procedure for this new bureaucracy will not even be available until January 1, 1994. Congress and the American people are being asked to accept a powerful new quasi-judicial bureaucracy before they are told its rules and procedures. As with the trade negotiations, the American people are being kept in the dark about something that will have a profound impact on their jobs and future.

Exceptions — Chapter 21 tried to clean up the agreement by clarifying several exceptions. One exception, for instance, is that none of the three nations is required to provide information that will undermine its national security or impede law enforcement. Another provision specifies that if anything in NAFTA is inconsistent with any international tax agreement that deals with double taxation, the international agreement shall prevail.

Final Provisions — Chapter 22 is only two pages long, but it has four very important provisions.

The first provision is that the three nations may modify or add to the agreement.

The second provision is that NAFTA shall take effect on January 1, 1994. It cannot take effect, however, until it is ratified by a majority vote in both the U.S. House of Representatives and the U.S. Senate.

The third provision — and this is important — is the *accession provision,* which provides that any country or group of countries may become participants to this agreement. The presidents of Mexico and the United States have both stated that they hope to have South American countries join NAFTA once the United States Congress ratifies NAFTA. This provision gets very little attention.

Finally, Article 2205 of NAFTA permits any nation to withdraw from NAFTA six months after it provides written notice to the other parties. At least there is an escape hatch.

Labor Dept

NAFTA'S MISSING PARTS

On paper, American and Mexican workers have virtually the same rights. In reality, they do not.

- American workers, for instance, have the right to bargain collectively. Mexican workers do not.
- American workers have minimum wage structures that can provide a basic living. Mexican workers do not.
- American workers have health and safety protections. Mexican workers do not.
- American workers have child labor protections. Mexican workers do not.

but that's the point of the side agreements — how wld. no NAFTA make it worse

The glaring differences in labor rights should have been addressed if the goal of NAFTA is to integrate the U.S., Mexican, and Canadian economies.

Likewise, both the United States and Mexico have strong environmental laws. They are strictly enforced in the United States, but only loosely enforced in Mexico. Major investments will be required to clean up the pollution in Mexico. No one knows precisely how much the environmental clean-up of Mexico will cost, but some estimates have run as high as $20 billion.

The further industrialization of Mexico will require additional billions of dollars to be spent modernizing its environmental infrastructure such as the water and waste water treatment facilities, utility emissions, and solid waste disposal systems, among others.

NAFTA does not address these necessary and costly environmental issues. It merely suggests that no nation should use weak enforcement of its environmental laws as a means of attracting foreign investment. Yet, Mexico has consistently done this for many years, and continues to do so.

To correct these labor rights and environmental deficiencies in NAFTA, side agreements have been requested by the U.S. government. Canada and Mexico have both insisted that any such agreements have weak mechanisms of enforcement. This brings into question the international commitment to the enforcement of side agreements.

Many Members of Congress have taken the position that they will reserve their judgment of whether or not to vote against NAFTA depending on the final form of the side agreements. For most of these elected officials, this is just an excuse for them to wait and see what the political winds will be at the time they have to vote on NAFTA. It is vitally important that you let your congressmen and senators know your views. Forms are included at the back of this book.

In summary, each of these three weaknesses is a reason to reject NAFTA:

- A flawed dispute resolution system;
- The lack of enforceable worker protection laws; and
- Inadequate environmental protection enforcement.

Even with the strongest possible side agreements and the strongest possible enforcement mechanisms, the basic NAFTA pact is so flawed that it requires rejection.

Good side agreements must not be used as an excuse to approve a bad trade agreement.

Just as the president's staff was instructed to sell his budget package by skipping the details and telling how it will "be good for the country, good for the economy and good for middle-class working families," it is now adopting the same tactics to sell NAFTA. The White House is aided in its lobbying efforts by the Mexican government and profit-driven corporations from both nations.

The pro-NAFTA campaign is the largest lobbying campaign on a single issue in U.S. history.

Chapter 7

How to Make NAFTA Work

Inevitably, the economies of the United States and Mexico will become more entwined with each other. The question is, how?

Ultimately, there are two basic routes. One is to pit the workers of each nation against the other in a race to the bottom for wages and benefits. The other is to create a complementary relationship in which the people of both nations improve their jobs, wages, and living standards — a positive situation for both countries. This is the choice before the American people and the U.S. Congress.

To adopt NAFTA is to choose the first alternative — destructive competition. NAFTA will pull down the wages and standards in the United States while doing little more than exploiting many of Mexico's workers and their families. NAFTA is a losing proposition for both sides.

To move forward in a positive manner, Congress and the president can take the following common sense actions.

What Is Required Of Congress

The Constitution of the United States gives Congress the power to regulate foreign commerce. While the president negotiates trade agreements, it is done within the instructions given to the executive branch by the legislature. Congress alone makes the ultimate decision whether a trade agreement should be adopted or rejected. Many people in Washington seem to have forgotten these provisions of the Constitution of the United States.

For more than 50 years, Congress has handed over the p… to negotiate trade agreements to the executive branch, giving… president after another a blank check in trade negotiations. A… result, one president after another has used that blank check… give away entire U.S. industries and American jobs to m… foreign policy objectives. Now that the Cold War is over, the ti… has come to stop giving away the jobs that belong to the Americ… people.

Trade is really about jobs and wages. Other nations realize th… and give trade negotiations a top priority. Japan, Germany, Italy, Switzerland, Sweden, and other advanced industrialized nations would never consider throwing away either the high- or low-wage jobs of their people. The United States must do the same.

Members of Congress must understand they will be held accountable, individually, and as a group, by American voters, based on whether or not Congress faces up to its constitutional trade authority.

At a minimum, Congress should never enact the types of "fast track" authorities that it has given recent presidents. Congress should never put into place a mechanism that in any way alleviates Congress's duty to debate and amend trade agreements. Congress should never allow the president to conduct treaty negotiations in secrecy as was the case during NAFTA talks. Most important, Congress should never again permit itself to be made a "potted plant."

Any trade agreement that can't stand full public scrutiny by Congress before, during, and after the negotiations is not worth having.

Let's make certain this is perfectly clear: you, the American people — the owners of this country — now understand that the U.S. government has been reckless with the jobs of the American people. The American people are now closely watching Congress and will not stand for such negligence again.

The first action that is required of Congress is to reject NAFTA. Congress' second action should be to reauthorize the

…sident to negotiate a win-win trade deal with Mexico. But this …me, Congress should give the president a clear mandate on the …pe of trade agreement that is acceptable.

Give the President Instructions with Clear Limits and Goals

In recent years, the trade mandate from Congress to the President can be summarized as "do whatever you want and we will rubber stamp it." All too often, this permission has been slipped into other bills, as the "fast track" extension was in the House of Representatives on May 27, 1993, with no discussion or thought. It is ridiculous to sneak trade, or any language, into a non-germane bill. If a public policy is "good for America," the public policy should stand on its own merits.

Any future initiation of trade discussions should include extensive public hearings to present diverse views. The purpose of these hearings and, ultimately, a debate in Congress, is to define U.S. goals in specific trade negotiations and the limits that will be imposed on American negotiators. In short, no more blank checks.

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Ten Basic Principles of Congressional Mandate

At a minimum, any congressional mandate for a new round of trade negotiations with Mexico should include the following ten basic principles:

1. A Coherent, Long-Term U.S. Trade Strategy

Any trade deals with Mexico, or any other nation, must be considered in the context of how they fit into the long-term U.S. trade strategy. The United States must develop a trade strategy that reflects these realities:

- The Cold War is over.
- The United States does not have enough good jobs.

- The U.S. is $4 trillion dollars in debt and must not do anything to damage its tax base.
- Every other nation plays by a different set of rules.

The questions, therefore, are: how does the United States expand trade with other nations in a way that neither punishes other nations for their successes nor destroys jobs or industries in America? How do individual agreements, such as a new NAFTA, fit into the overall U.S. trade strategy? And most important, how can trade be used to create more and better jobs in the United States?

As a nation, the danger of failing to think strategically about trade is measured by the fact that the U.S. trade deficit in 1993 will be close to $100 billion. A trade deficit of this magnitude means a loss of 1.9 million to two million good U.S. jobs. A total overhaul of America's approach to trade is critical. It is not too late.

2. Negotiate With Complete Integrity

To ensure that any new NAFTA negotiations are done with total integrity, the Congressional authorization should prohibit all U.S. officials and former U.S. officials from ever working as foreign lobbyists after they leave office. In fact, the U.S. should eliminate foreign lobbyists entirely. They are an embarrassment to the country. Trade negotiations are so vital to jobs and the national well being that the country must demand the best deal from the U.S. trade negotiators. The fact that Mexico's negotiators for NAFTA were advised at every step by former U.S. officials is an outrage that must never be permitted to happen again.

In the future, all countries must be prohibited from mounting the type of foreign lobbying campaign that Mexico has launched in Washington and around the country to persuade the U.S. Congress to ratify NAFTA. The government of Mexico would consider that kind of politicking inside Mexico to be raw, foreign interference in its internal affairs. So should the United States. Mexico's interests can be represented in the United States by its

ambassador and embassy. The American people own their country, and only the American people should decide who gets to participate in American political decisions.

America needs a fundamental change in government. The owners of this country must erect large signs in front of Congress, the White House, and every government office that read *NOT FOR SALE AT ANY PRICE.*

3. Do Not Violate National Sovereignty

In the current version of NAFTA, the sovereignty of all three nations is negotiated away to international panels, commissions, and other authorities, including sub-units of the United Nations and the organization in Geneva that administers the General Agreement on Tariffs and Trade (GATT).

International trade bureaucrats, operating in secret, will have the authority to review U.S. laws and regulations to determine if they violate the provisions of NAFTA. Any adverse rulings, moreover, will create substantial financial penalties for U.S. taxpayers.

As a matter of basic principle, the United States should never surrender its national sovereignty. Nor should the U.S. ask Mexico, Canada, or any other nation to surrender its sovereignty.

4. Uphold the Legal Rights of U.S. Citizens

In its current form, NAFTA removes an American citizen's right to judicial review of many matters from U.S. courts and puts dispute resolution in the hands of binational panels whose work is done in secret and whose decisions cannot be appealed.

U.S. negotiators must be clearly instructed that any new foreign treaty or agreement must protect and safeguard the Constitution of the United States and the rights it bestows on U.S. citizens.

5. Increase Jobs and Wages for American Workers

NAFTA permits Mexico to offer foreign investors highly productive, low-wage labor, and lax regulation of business. In addition, Mexico's on-going investment in telecommunications basic support systems they can find in either the United States or Canada.

Already, hundreds of U.S. companies have moved facilities to Mexico. Many more are using the possibility of relocating to Mexico as a bargaining tool to force their American workers to take less pay and to work harder.

If enacted, NAFTA will accelerate the downward spiral of U.S. wages. An unfair trade agreement pits workers from one country against workers from another. Unfair trade is contrary to the U.S. goal in any trade negotiation: to expand the U.S. job base and increase the wages and benefits of American workers.

To stem the on-going hemorrhage of American job loss, future access to the U.S. consumer market should be conditioned on imports meeting basic requirements. One basic requirement should be that imports from Mexico and other developing nations be produced by workers whose wages reflect their productivity and value. To ensure this condition, the United States can impose a "social tariff" at a level that is equal to the difference between the wage paid in the developing nation and the wage paid in the United States for comparable work. Social tariffs should apply to the imports from both foreign-owned or U.S.-owned companies.

A social tariff has a number of advantages. A social tariff constructively uses the enormous power of the U.S. consumer market. It does not interfere in the internal affairs of other nations — if they want to do business with the United States, they can play by the rules; if other nations don't want to play by the rules, they can find other markets for their products. The choice is entirely theirs. A social tariff allows U.S. companies to move production anywhere in the world, but limits their power to exploit low-wage production through U.S. import laws. Social tariffs create an incentive for U.S. companies to keep jobs in the United States and improve the productivity of American workers. They give American consumers an assurance their tax dollars will no longer be used to exploit poorly-paid workers in Mexico or other developing countries, as they are now.

3. Increase Jobs and Wages for Mexican Workers

The people of Mexico are good and they deserve a better life. Any new trade agreement should include provisions that will help Mexican workers improve their jobs, wages, and standard of living. The current version of NAFTA does none of this for the people of Mexico.

Again, the principal attraction of the United States is its wealth and market size. If the government of Mexico truly wants companies operating from within its borders to have greater access to the U.S. market, the United States should require that exports from Mexico to the United States be produced by workers who:

- Possess the right to organize independent unions and bargain collectively;
- Have working conditions — hours, minimum wages, workplace safety, and health care — that are equal to those found in the United States;
- Have the right of association; and
- Are not exploited by age or sex.

These standards will reduce the economic incentives of companies to exploit Mexican workers. Moreover, if the United States establishes a set of standards for imports, the U.S. will not be interfering with Mexico's internal affairs. If Mexico wants access to the U.S. market, then Mexico knows the conditions. The same requirements, of course, must apply to all nations.

The imposition of workers rights standards is nothing new. Several existing U.S. laws contain workers rights provisions. Among them are the Caribbean Basin Economic Recovery Act of 1986, the Generalized System of Preferences Act of 1986, the Overseas Private Investment Corporation statute of 1986, and the 1988 Omnibus Trade and Competitiveness Act. The problem is the workers rights provisions in these laws are not enforced. Now they must be enforced.

7. Do Not Make Mexico an Export Platform Into the United States

Any future trade agreement should include full assurance that Mexico will not become a low-wage manufacturing platform for other nations that want unimpeded access to the rich U.S. market. Otherwise, foreign manufacturers will attempt to send products made by 30-cent-per-hour labor in Asia into the United States through Mexico. Strict rules of origin must be required and enforced on all U.S. imports to ensure that they meet the new proposed standards on wages and working conditions. Again, enforcement is critical.

8. Protect the Health and Safety of All Parties

Any new trade agreement with Mexico should enforce the highest health and safety standards. The current NAFTA seeks to use international standards that are often substantially lower than standards now used in the United States. For instance, these reduced standards would permit the import of farm products to the U.S. grown with chemicals that are now outlawed in the United States, such as DDT.

9. Protect the Environment

For many years, one of Mexico's principal economic attractions has been the government's lax enforcement of its environmental laws. Over the past two decades, hundreds of U.S. companies have moved to the maquiladora area of Mexico to evade the more strict U.S. environmental regulations which are enforced. In the process, companies in the maquiladora area have done enormous damage to the environment of Mexico.

The U.S. Department of Commerce estimates that over the next decade \$20 billion will be needed for sewage-treatment centers, environmental cleanup projects along the Mexican border, and other basic infrastructure such as roads, bridges, and power plants.

Currently, NAFTA contains a weak provision that supposes to prohibit Mexico from luring foreign investment by loosely enforcing its environmental regulations. This provision is meaning-

less. The proposed side agreement on the environment, though more explicit, is still effectively unenforceable.

If the environment is to be protected, the agreement must contain adequate enforcement provisions. The standard is simple: products cannot be imported into the United States from Mexico that are produced in factories or by companies that violate either U.S. or Mexican environmental standards. No exceptions. Again, the U.S. market is the carrot. If Mexico chooses not to enforce its rules, that is Mexico's sovereign right. Goods produced under conditions which violate environmental standards should be prohibited in the United States. That's America's sovereign right!

10. The Agreement Must Be Enforced

The United States has a history of making trade agreements that contain strong but unenforceable provisions. Too often, no attempt is even made to enforce provisions of a trade agreement. This practice must cease.

Any trade agreement with Mexico or any other nation must be constructed in such a way that it can be enforced. Then, the resources must be made available to enforce it.

This means having enough well-trained customs agents. It means providing the customs agents with sufficient tools and technology to do their job. It means punishing violators of American laws, whether they are individuals, corporations, or governments.

In the future, the standard of the United States should be this: The American people will only accept trade agreements that are good for the American people and that can be strictly enforced.

The Bottom Line

The bottom line is: the North American Free Trade Agreement is not in the best interest of the American people. Therefore, NAFTA must be rejected when it goes to a vote in Congress.

A win-win trade deal with Mexico is possible. To become a reality, Congress must fully accept its responsibility to regulate foreign commerce and provide clear, principled goals for U.S. trade negotiators. Any agreement presented for ratification by Congress must be examined in its entirety with the full participation of the American people.

The American people deserve nothing less.

Acknowledgements

This book is dedicated to the thousands of Americans who suffered from the midwest floods of 1993. United We Stand America salutes the brave, selfless volunteers who worked endless hours to save lives, minimize injuries, and protect their neighbor's property from the ravages of the floods.

* * * * * *

Among the many people who helped to bring about this book, I would like to give special recognition to Mike Poss for his leadership, tireless efforts, and creative talents.

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Ross Perot

The New York Times
on
Mexico's NAFTA Lobbying Campaign in the United States

The Mexican Trade and Foreign Ministries — since their successful push last year for approval in the United States of the "fast track" legislation that authorizes the Bush Administration to negotiate an agreement that Congress cannot amend — have built one of the biggest and most expensive teams of lobbyists and public relations agents of any foreign mission in Washington.

The New York Times, August 12, 1992

Notes

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Appendix A

Former U.S. Government Officials Working for NAFTA's Passage, 1989 – Present*
As Reported to the Department of Justice

Toney Anaya	Independent Lobbyist	• Gov. of New Mexico, 1983-87 • Attorney General of New Mexico, 1975-79 • Admin. Asst. to New Mexico Governor Bruce King, 1971-72 • Leg. Counsel for Sen. Joseph Montoya, 1966-69 • Exec. Asst. to the Asst. Sec. of State, 1966
Timothy Bennett	SJS Advanced Strategies	• Deputy Asst., U.S. Trade Rep. for Mexico, 1985-88 • U.S. Trade Attache to the E.E.C, U.S. Trade Rep., 1981-85 • Exec. Dir., U.S. Generalized System of Preferences, U.S.T.R, 1980-81
John Bode	Olsson, Frank, and Weeda	• Asst. Sec. for Food and Consumer Services, U.S. Dept. of Agriculture, 1985-89
William Brock	The Brock Group	• Secretary of Labor, 1985-87 • U.S. Trade Rep., 1981-85 • Chairman, Republican Nat'l Comm., 1977-81 • Sen., 1970-76 • Member, U.S. House of Reps., 1962-70

Doral Cooper	Crowell & Moring International	• Asst. U.S. Trade Rep., Office of Bilateral and Multilateral Affairs, 1981-85 • Deputy Asst. Special Trade Rep. for Japan and Developing Countries, 1978-81 • Economist and Exec. Dir. of the Generalized System of Preferences, U.S.T.R., 1977-78 • Economist for Int'l Finance and Trade Matters, Council of Econ. Advisers, 1975-77
Peter Ehrenhaft	Bryan Cave	• Deputy Asst. Sec. and Special Counsel (Tariff Affairs), Dept. of the Treasury, 1977-79
James Free	Walker/Free Associates	• Cong. Liaison to the White House (Carter Admin.)
James Frierson	The Brock Group	• Coord., U.S. government's policy on the functioning of the GATT system in the Uruguay Round, 1987-89 • Chief of Staff, Off. of the U.S. Trade Rep., 1985-89 • Special Asst. to Amb. William Brock, U.S. Trade Rep., 1981-85
Lee Fuller	Walker/Free Associates	• Majority Staff Dir. under Sen. Lloyd Bentsen, Sen. Comm. on Environment and Public Works, 1985-87 • Minority Staff Dir., Sen. Comm. on Environ. and Pub. Works, 1978-85
Peter Glavas	Gold and Liebengood	• Special Asst. to Sen. David Boren, 1987-88 • Tax Counsel, Sen. Boren, 1984-88 • Chief of Staff, Sen. Boren, 1984-86 • Campaign Mgr. and Field Rep., Oklahomans for Boren, 1980-84
Martin Gold	Gold and Liebengood	• Legal Counsel for Sen. Howard Baker, 1981-82 • Counsel for Floor Operators to Baker, 1979-80

Martin Gold (cont.)	Gold and Liebengood	• Min. Staff Dir. and Counsel, Sen. Comm. on Rules & Administration, 1977-79 • Staff, Sen. Intell. Comm., 1976 • Legal Asst. to Sen. Mark Hatfield, 1973-76
Gabriel Guerra-Mondragon	Guerra & Associates TKC International	• Adviser on Nat. Security issues, Clinton transition team, 1992-93 • Special Asst. to the U.S. Amb. to Mexico, 1980-83
Robert Herzstein	Shearman & Sterling	• Under Sec. for Int'l Trade, Dept. of Commerce, 1980-81
Edward Hidalgo	Independent Lobbyist	• Sec. of the Navy, 1979-81 • Asst. Sec. of the Navy, 1977-79 • General Counsel and Cong. Liaison, U.S. Information Agency, 1973-76 • Special Asst. to Director of the U.S. Information Agency, 1972 • Special Asst. to the Sec. of the Navy, 1945-46, 1965-66
William Hildenbrand	Gold and Lienbengood	• Sec. of the Senate, 1980-84 • Sec. for the Min., U.S. Senate, 1974-80 • Chief of Staff, Sen. Hugh Scott, 1969-74 • Leg. Asst. to Sen. Caleb Boggs, 1961-68 • Asst. Cong. Liaison, Dept. of Health, Education & Welfare, 1959-60 • Aide to Rep. H.G. Haskell, 1957-58
Patricia Jarvis	Gold and Liebengood	• Special Asst., Off. of Leg., Dept. of Health and Human Services, 1986-87
Ruth Kurtz	Independent Lobbyist	• Aide to Sen. William Roth, mid-1980s (left in 1989) • Trade Adviser, Int'l Trade Comm., 1980-83 • Int'l Economist and U.S. Trade Neg., Dept. of Comm., 1970-80

Stephen Lande	Manchester Trade	• Assistant U.S. Trade Rep. for Bilateral Affairs (left 1982) • Office of the Special Trade Rep., including Deputy Asst. U.S.T.R., 1973-82 • State Dept., Chief of Econ. and Info. Services, U.S. Embassy, Luxenbourg, 1970-73 • State Dept., Consular Off., Athens, Greece, 1966-68
Howard Liebengood	Gold and Liebengood	• Sergeant-at-Arms, U.S. Senate, 1981-84 • Leg. Counsel to Sen. Min. Leader, 1977-81 • Min. Staff Dir., Sen. Select Comm. on Intell., 1976-77 • Consultant to Sen. Howard Baker, 1975-76 • Asst. Min. Counsel, Watergate, 1973-74
George Mannina	O'Connor & Hannan	• Chief Min. Counsel, House Merchant Marine and Fisheries Comm., 1983-85 • Min. Counsel, House Subcomm. on Fisheries, Wildlife, Conservation and the Environment, 1975-83 • Leg. Asst to Rep. Edwin B. Forsythe, 1972-75 • Admin. Aide to Rep. Gilbert Gude, 1971-72
Mary Lou McCormick	formerly of Gold and Liebengood	• Press Asst., Deputy Press Sec., and Press Sec. to Sen. Bob Packwood, 1981-87
Joseph O'Neill	Public Strategies	• Admin. Asst. to Sen. Lloyd Bentsen, 1980-84 • Exec. Asst. to Sen. Bentsen's Texas office, 1972-79
Phil Potter	Walker/Free Associates	• Aide to Sen. Peter Dominick, 1969-70 • Senior positions, Dept. of Treasury, 1970-71
William Ratchford	Gold and Liebengood	• Member, House of Reps., 1979-85

Otto Reich	The Brock Group	• Amb. to Venezuela, 1986-89 • Special Adviser to the Sec. of State, Interagency Office of Pub. Diplomacy for Latin America and the Caribbean, 1983-86 • Asst. Admin., U.S. Agency for Int'l Devel. Progs. on Latin America and the Caribbean, 1981-83 • Staff Assistant, House of Representatives, 1970-71
Mark Robertson	Gold and Liebengood	• Legal Director for Rep. Stan Parris, 1980's
John Scruggs	Gold and Liebengood	• Asst. Sec. for Legislation, Dept. of Health and Human Services, 1983-84 • Special Asst. to the Pres. for Legal Affairs, 1981-82 • Floor Asst. to House Republican Whip Trent Lott, 1980-81 • Staff Member of the House Rules Comm., late 1970s
Peter Slone	Gold and Liebengood	• Deputy, Nat'l Campaign Mgr., Mondale for President, 1984 • U.S. House Approps. Comm. Assoc. Staff, and Cong. Liaison to the House Educ. and Labor Comm. and Select Comm. on Aging, office of Rep. William Ratchford, 1978-83
James Smith	Walker/Free Associates	• U.S. Compt. of the Currency, 1973-76 • Dep. Under Sec., Treasury Dept., and Dir., Off. of Cong. Relations, Treasury Dept., 1969-73 • Min. Counsel to the Sen. Subcomm. on Intergovt'l Rel., 1960-62 • Leg. Asst., Sen. Karl Mundt, 1957-60
Michael Smith	SJS Advanced Strategies	• Deputy U.S. Trade Rep., 1980-88 • U.S. Amb. to GATT, Geneva, 1979-83

Michael Smith (cont.)	SJS Advanced Strategies	• Chief, U.S. Textile Negotiator, 1975-79 • Deputy Chief, then Chief, Fibers and Textile Div., U.S. State Dept., 1973-74 • Chief of Pres. Corres. for the White House, 1970-73 • Foreign Service, various positions, including Foreign Service Off., 1958-70
David Tarullo	Shearman & Sterling	• Nominated to be Asst. Sec. for Econ. and Bus. Aff., State Dept., 3/19/93; not confirmed as of press time • Chief Employ. Counsel of the Sen. Comm. on Labor and Human Resources, 1987-89 • Exec. Asst. to the Under Sec., Dept. of Commerce (Int'l Counsel), 1980-81
Abelardo Valdez	Independent Lobbyist	• Amb., Chief of Protocol, State Dept., 1979-81 • Asst. Admin. for Latin America & the Caribbean, U.S. Agency for Int'l Devel., 1977-79
Charls Walker	Walker/Free Associates	• Deputy Sec. of the Treas., 1972-73 • Under Sec. of the Treas., 1969-72 • Asst. to the Sec. of the Treasury, 1959-61

* Chart reflects those who have lobbied or done other pro-NAFTA or trade-related work.

Source: Center for Public Integrity, The Trading Game, Washington, D.C., 1993, Appendix C, pp. 70-73.

Appendix B

Telephone and Fax Numbers of United States Senators and Representatives

	State Office	Washington Off	Fax
Senators			
ALASKA			
Frank H Murkowski (R)	907-271-3735	202-224-6665	202-224-5301
Ted Stevens (R)	907-271-5915	202-224-3004	202-224-2354
ALABAMA			
Richard C. Shelby (D)	205-759-5047	202-224-5744	202-224-3416
Howell Heflin (D)	205-381-7060	202-224-4124	202-224-3149
ARKANSAS			
David Pryor (D)	501-324-6336	202-224-2353	202-224-8261
Dale Bumpers (D)	501-324-6286	202-224-4843	202-224-6435
ARIZONA			
Dennis DeConcini (D)	602-670-6831	202-224-4521	202-224-2302
John McCain (R)	602-640-2567	202-224-2235	202-228-2862
CALIFORNIA			
Dianne Feinstein (D)	415-249-4777	202-224-3841	202-224-0656
Barbara Boxer (D)	415-403-0100	202-224-3553	202-224-6252
COLORADO			
Ben Nighthorse Campbell (D)	303-866-1900	202-224-5852	202-224-3714
Hank Brown (R)	303-844-2600	202-224-5941	202-224-6471
CONNECTICUT			
Joseph I. Lieberman (D)	203-240-3566	202-224-4041	202-224-9750
Christopher J. Dodd (D)	203-240-3470	202-224-2823	202-224-5431
DELAWARE			
Joseph R. Biden, Jr. (D)	302-573-6345	202-224-5042	202-224-0139
William V. Roth, Jr (R)	302-573-6291	202-224-2441	202-224-2805
FLORIDA			
Graham, Bob (D)	904-422-6100	202-224-3041	202-224-2237
Connie Mack (R)	813-275-6252	202-224-5274	202-224-9365
GEORGIA			
Sam Nunn (D)	404-331-4811	202-224-3521	202-224-0072
Paul Coverdell (R)	404-264-1998	202-224-3643	202-224-8227

The White House

Office of the Press Secretary

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.

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Massachusetts Building Trades Council

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PRESIDENT
LEO J. PURCELL

VICE PRESIDENT
EDWARD C. SULLIVAN

SECRETARY-TREASURER
LOUIS A. MANDARINI

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.

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

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

Nafta

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release November 6, 1993

RADIO ADDRESS BY THE PRESIDENT TO THE NATION

The Oval Office

10:06 A.M. EST

THE PRESIDENT: Good morning. This week I spoke with American workers and farmers who are succeeding in our competitive global economy. On Thursday, I went to Lexington, Kentucky, and visited the Lexmark factory, where they make computers, printers and keyboards for sale all over the world. Anybody who thinks our American workers can't compete and win should have gone there with me.

Yesterday, I spoke with farmers from Illinois, Missouri, Montana and North Carolina. They produce corn, soybeans, timber and wheat, and they raise cattle. Just like the workers in Lexington, these farmers are eager to export more products all across the world, including to our neighbors in Mexico.

The folks I spoke with on Thursday and Friday understand what's at stake in the debate about the North American Free Trade Agreement, or NAFTA for short. For them the debate is simple -- it's about paychecks, not politics.

In Lexington, I also met with workers from Monarch Tool and Manufacturing. Their sales in Mexico have grown dramatically over the last three years. Teddie Rae True, who works at Monarch, told me she supports NAFTA because she said without it, I might not have a job. A lot of what we do depends on foreign trade. Roberta Canady has worked at Lexmark for 16 years. She said she still wants more facts about NAFTA, but she knows that, and I quote her: "The bottom line is whether it will promote more jobs for the people of the United States. Let me assure Roberta Canady and all of you, NAFTA means more exports, and more exports means more jobs for Americans.

There's been so much fog surrounding this issue that it's time to shed some light. NAFTA is good for us because it will cut the tariffs on trade between the United States and Mexico. Tariffs are taxes that countries put on products from other countries. NAFTA will eventually cut these taxes down to zero. It will also reduce Mexican laws which now require some products made -- sold in Mexico to actually be made there.

Now, that makes a much bigger difference for the United States than for Mexican products that would be sold here. Let me tell you why. Right now, Mexico's tariffs on our products are two-and-a-half times higher than our tariffs on theirs. NAFTA will remove those barriers, opening up a growing market for our goods and services and creating hundreds of thousands of new jobs for our people.

The fact is that today Mexican consumers are already buying over $40 billion worth of American products. And if NAFTA passes, they'll buy even more. Seventy cents of every dollar that Mexico spends on foreign products are spent right here in the United States. And when Mexico takes down its tariff barriers, that means

MORE

more sales and more jobs for our industries, from cars to computers.

Right now, Mexico puts a 20 percent tariff on cars and virtually requires that cars sold in Mexico be made there. With NAFTA those barriers will be lowered. That's why the big three auto companies predict that in just the first year after NAFTA, they could go from selling only 1,000 cars in Mexico to selling 60,000.

It's the same with computers, which also face a 20 percent tariff. Three years ago, by one estimate, Mexico bought 120,000 computers from us. Last year they bought 390,000. This year it's estimated they'll buy 600,000. And that's with a 20 percent tariff. When NAFTA lowers the tariff barrier, the United States will gain a 20 percent advantage over our competitors from Europe and Japan. And Mexico, with a population of nearly 90 million, could buy millions more of our computers, creating tens of thousands of new jobs here in our country.

For our country, for every wealthy country, the only way to create new jobs and to raise incomes is to export more products. For the past five years about half the growth in our economy has come from exports. And jobs related to exports pay 17 percent more than other jobs in the American economy.

That's why NAFTA is part of my overall strategy to sell our products all over the world at a time when our leading rivals are also expanding their own markets in their own backyard. Western Europe is becoming a giant trading bloc. Japan is expanding its investment in trade in much of Asia. And now with NAFTA we can create the biggest trading bloc in the world, starting with Canada and Mexico, and then expanding to the rest of Latin America. Many of the Latin American countries really want to buy more American products, to be a part of our trading bloc. They're just waiting to be asked and they're waiting to answer, depending what happens to NAFTA.

Given a fair chance, I know American workers can compete and win in our own hemisphere and throughout the world. Those who believe otherwise underestimate the American people. We still have the most productive workers in the world, and they've gotten more productive in the last 15 or 20 years.

On Tuesday night, Vice President Gore will debate a leading critic of NAFTA. The debate will be facts against fear -- the fear that low wages and lower cost of production in Mexico will lead to a massive flight of jobs down there. Well, if we don't pass NAFTA, that could still be true. The lower wages and the lower cost of production will still be there. But if we do pass it, it means dramatically increased sales of American products made right here in America. It reduces the incentive to move to Mexico to sell in the Mexican market. And remember the tariffs that we put on their products are already low.

So we have to face the choice of facts versus fear. When Americans have faced that choice in the past, they've always chosen honesty and hope. Ultimately this debate is a test of not only our purpose in the world but our own confidence in ourselves. I know the last several years have been tough on hard-working middle class Americans. I ran for President to change that, to give people health care security and security in their education and training, and security as family members and workers. But I also promise to challenge you to embrace the world economy, because we can't run away from these changes.

Will we hunker down and say, my goodness, we're going to be overcome by a trade agreement with Mexico, a country with an economy only five percent as big as ours; or are we going to reach out to the rest of the world and say we can compete and win again. My visit to Lexington, Kentucky and my talk with those farmers on the phone yesterday reminded me that Americans are hopeful and hard working. When the moment of decision comes, I believe ordinary working Americans will agree with every living President, every living Secretary of State, every living Secretary of the Treasury, every living Nobel Prize-winning economist, and over 40 of the 50 governors, that NAFTA means expanding markets. And we have to have expanding markets, not shrinking horizons. Our jobs and our children's jobs depend on it.

Thanks for listening.

END 10:12 A.M. EST