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SPECIAL ISSUE: Latino Review of NAFTA

... de las Américas

SEP 10 1997

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Vol. III, No. 1 August 1997

.atinos Hurt by NAFTA Labor Market Impacts

A three-year review of the North American Free Trade Agreement (NAFTA) found Latinos, women and African Americans to be negatively impacted by job losses caused by the agreement. When compared to the Latino's share of total employment, Latino workers are over-represented in jobs lost due to NAFTA.

The WCVI study conducted in partnership with the UCLA North American Integration and Development (NAID) Center, evaluated labor market impacts of NAFTA on trade flows with Canada and Mexico. Overall findings indicate a probable negative net employment impact of around -91,816 through production shifts and trade flows since NAFTA was implemented.

Multi-faceted trade growth with Canada and Mexico is estimated to have had a positive labor market impact of up to +225,183 jobs.

On the other hand, multi-faceted trade penetration is estimated to have had a negative impact of up to -255,446 jobs lost or threatened by NAFTA. In addition, the study found 61,553 more jobs to have been lost through production shifts to Mexico and Canada, according to data from the Department of Labor's NAFTA-Trade Adjustment Assistance (TAA) program.

Therefore, NAID Center researchers estimate a low-end estimate of 116,958 jobs lost using only NAFTA-TAA data and a high end estimate of 316,999 jobs lost using both NAFTA-TAA data and NAID-Armington Direct Employment Impact Estimation Methodology data.

As far as Latino workers, they are highly over-represented in net negative employment impacts, particularly in Arizona, California, New Mexico and Texas. In all of these states, Latino's share in net negative employment figures is significantly higher than their share of the population. This is also true to a lesser extent in Illinois, Florida and Nevada, while in New York Latinos are actually under-represented in this regard.

Furthermore, the study found, Latinos highly account for job displacement in industries experiencing the highest levels of employment loss (as measured by NAFTA-TAA data) such as garments, textiles, electronic and transportation parts.

Finally, Latino and Black job losses are much more linked to Mexico trade flows than are White workers, who are much more linked to Canada.—

To order a copy of WCVI's two-part *"Latino Review of NAFTA"* call 213-728-5613.

Latino Members of Congress Hit Clinton's NAFTA Package

In a letter to President Clinton, sixteen (16) Members of Congress voiced their opposition to his plan for "Fast Track" expansion of another "NAFTA-type" agreement to Latin America until current NAFTA shortcomings are addressed.

The letter was read at the same press conference in Washington, D.C. where WCVI released the hard-hitting results of its two-part "Latino Review of NAFTA."

"Promises to clean-up the border and take care of displaced workers were made to get our votes in 1993," said U.S. Representative Xavier Becerra (D-CA), Chairman of the Congressional Hispanic Caucus. "More than three years later," he continued, "I consider these to be broken promises."

Becerra was joined at the announcement by the two newest Latino Members of Congress, U.S. Representative Ciro Rodríguez (D-TX) and U.S. Representative Loretta Sánchez (D-CA). Sánchez explained, "We are saying to the President that he must address the issues of worker displacement, border infrastructure and environmental standards before he can expect our support for Fast Track."

U.S. Representative Esteban E. Torres (D-CA), pivotal in securing necessary support from Latino Congress Members to pass NAFTA three years ago, urged the President to "...help us make NAFTA better before we move toward expanded trade in the Americas."

President Clinton is expected to push Congress for approval on "Fast Track" authority at the beginning of the Fall 1997 congressional session.—

See "Letter" page 3

U.S. Representative Esteban E. Torres leads Latino congressional push for NAFTA reform.

Special NAFTA Report Card

After three years, WCVI rates NAFTA progress: much improvement needed.

See center insert.

 1712 W. Beverly Blvd., Suite 201 • Montebello, CA 90640

THE U.S. COMMUNITY ADJUSTMENT AND INVESTMENT PROGRAM

The United States Community Adjustment and Investment Program was created in connection with the passage of the North American Free Trade Agreement (NAFTA) to provide credit to new or expanded businesses in communities with significant job losses due to changes in trade patterns with Canada and Mexico. Congress initiated the program to help those communities in need of adjustment assistance. U.S. Funding through the program will be made available for commercial projects that create new private sector jobs.

The program involves the coordinated efforts of the United States Government and the North American Development Bank (NADBank), an international public financial institution. NADBank established an office in Los Angeles, California for the purpose of assisting the United States Government with the development and implementation of the program.

The program will operate as a "development catalyst" -- assisting where shortfalls exist in capital availability in commercial lending markets for start-up or expansion efforts within communities that have experienced significant job losses. The program will combine the efforts of the NADBank with certain Federal agencies, local financial institutions and financial intermediaries to meet financing needs for business opportunities.

Communities, businesses or financial institutions that are interested in the program should contact the NADBank Los Angeles Office, Tel: (562) 908-2100, Fax: (562) 908-2110 or write to NADBank, 13191 Crossroads Parkway North, Suite 275, City of Industry, CA 91746.

Guidelines for eligibility for the program have been established by the United States Government, with the assistance of a presidential advisory committee. The committee meets publicly at least twice a year to review the operations of the program. If you are interested in attending future public meetings, please contact the NADBank Los Angeles Office.

OVERVIEW OF PROGRAM GUIDELINES

This discussion of the guidelines for the U.S. Community Adjustment and Investment Program provides an overview of the eligibility criteria and project selection. Application forms are available from the NADBank Los Angeles Office.

I. ELIGIBILITY FOR THE PROGRAM

The program was established to encourage and foster economic opportunities within communities that have been impacted with job losses that are connected with the implementation of the North American Free Trade Agreement. Thus, before the program is able to provide capital, applicants must provide information that demonstrates significant economic impacts within the community.

A. Community -- *A community is defined as a discrete geographical area*

Community boundaries determine where NADBank will provide credit assistance. The intent of the program is to provide assistance to communities that require transition assistance. There is a strong presumption that community boundaries are based on political jurisdictions, such as county, town or city lines. However, applicants may seek a designation of a subsection of the county, town or city, or, in the case of rural areas, as a multi-town or multi-county area. Applicants seeking designation of areas that are not based on political jurisdictions will be asked to provide a significant amount of support to justify the exception.

B. Necessity of Adjustment and Investment -- *A community must be in need of adjustment or investment assistance.*

The program requires evidence of two factors: (1) evidence of significant job losses associated with the passage of NAFTA (since January 1994), and (2) evidence that the area has not adjusted to the job losses through the existence of other employment opportunities. The program is intended to provide assistance during a transition period to those communities that lack other engines of economic growth.

1. **Job losses** may be demonstrated by one of the following --

a. Within the community boundaries, a significant number of recent certifications by the U.S. Department of Labor for the NAFTA Transitional Adjustment Assistance program (see page 6);

b. Within the community boundaries, a significant number of jobs were lost due to the relocation of a business establishment to either Mexico or Canada; or

c. A significant "import surge" from Mexico or Canada within a defined industrial sector that exists within the community boundaries, along with a significant decline within the community boundaries in employment within the industrial sector. (Both "import surge" and "defined industrial sector" are defined terms. Additional information on this classification is available from the NADBank Los Angeles Office.)

2. **Adjustment difficulty** may be demonstrated by --

   The absence of economic growth within the community boundaries based on state or federal unemployment data that indicates a significantly higher unemployment rate than the federal rate.

C. Duration -- *In the absence of significant economic transition, designation as a community will continue for a two-year period, allowing for greater ease to access to the program.*

Once the community boundaries have been defined, and the level of need has been demonstrated, the designation as a community eligible for funding under the Community Adjustment and Investment Program continues for a two-year period. This period of designation is intended to provide greater ease of access by other borrowers within the community boundaries. The purpose of the program, however, is to provide assistance with a transition to new economic opportunities. If the job opportunities within the community have significantly increased, the period of designation may be shortened.

II. ELIGIBLE PROJECTS

The program seeks to encourage the creation of private sector employment opportunities within communities that have experienced job losses that are associated with the passage of NAFTA.

A. While most job losses associated with changes in trade patterns after the passage of NAFTA have been in manufacturing, the program will be available to finance a range of business opportunities for the purpose of encouraging new private sector jobs.

B. The program may provide some financing through the use of intermediaries, nonprofits and municipalities for specific projects with job growth in the private sector. While the program may provide financing to such entities, the program's objective will continue to be the creation of private sector jobs.

III. FINANCING

The program is intended to operate as a community development bank. Borrowers must be able to repay the financial assistance provided by the program, and must evidence an inability to obtain such financing from other sources on reasonable and timely terms and conditions.

A. The program seeks to provide financing in conjunction with other sources, with the maximum of no greater than 50% of program financing for any transaction.

B. NADBank financing is limited to loans, guarantees or loss reserve funds. Grants or equity positions are not provided through this program. Communities that believe they are in need of grant funds are encouraged to contact their state governments, or local or regional offices of the Federal Departments of Housing and Urban Development, Commerce, or Agriculture.

C. Borrowers must have an expected revenue stream that will permit the repayment of the financial obligations on reasonable and timely terms and conditions.

D. Borrowers must evidence sufficient management and business experience to operate successfully the intended business endeavor.

E. Borrowers must evidence that the desired credit is unavailable on reasonable terms and conditions from other sources without assistance from the program, taking into consideration the prevailing rates and terms in the community in or near where the borrower conducts business.

IV. APPLICATIONS AND UNDERWRITING

Applicants must be prepared to provide the following items:

A. The type of financing that is being sought and the requested terms. (Financing is limited to loans, guarantees or loss reserve funds.)
B. The strategic plan of the project for which financing is being sought, including information on the management team.
C. Complete financial information on the project, including projections and assumptions.
D. An indication of the jobs opportunities expected to be created.
E. Identification of participating lenders and the terms of their participation.

V. NEXT STEPS

If you are interested in the program, please contact the NADBank Los Angeles Office, Tel: (562) 908-2100, Fax: (562) 908-2110 or write to North American Development Bank, 13191 Crossroads Parkway North, Suite 275, City of Industry, CA 91746.

There are other resources available for employees, businesses and communities that have experienced adjustment difficulties that are associated with the passage of NAFTA. In addition to the resources suggested below, you should contact your state and local governments.

Other Resources --

1. U.S. Department of Labor's NAFTA Transitional Adjustment Assistance Program. ***Employees*** who lose their jobs due to NAFTA may be covered by several programs that target dislocated workers and provide them with the opportunity to engage in long-term training while receiving income support. Individuals, unions, company officials, or duly authorized representatives should obtain petitions from the local office of the state employment security agency. Information is also available from the U.S. Department of Labor, Office of Trade Adjustment Assistance, Room C-4318, 200 Constitution Avenue, N.W., Washington, D.C. 20210. Telephone: (202) 219-5555. (See page 6 for a review of the eligibility criteria.)

2. U.S. Department of Commerce's Office of the North American Free Trade Agreement (NAFTA). ***Businesses*** may be covered by a program that provides technical assistance and information on doing business with Mexico and Canada, including guidance on trade policy issue and business practices, and in more detail, NAFTA and other trade-related issues outside the framework of the Agreement. Federal employees may be available to speak to business audiences on such topics such as NAFTA overview, NAFTA and its benefits for specific industries, industry-specific information, trade-related contacts, marketing information, etc. The Office has also established "NAFTA Facts", an automated information system which can send a wide variety of information to fax machines (1-800-USA-TRAD). The Office of NAFTA is located at the U.S. Department of Commerce, 14th & Constitution Avenue, N.W., Washington D.C. 20230. Telephone: (202) 482-0305. Fax: (202) 482-5865.

3. U.S. Department of Commerce's Economic Development Administration (EDA). ***Communities***, both rural and urban, experiencing high unemployment, low income levels, or sudden and severe economic distress may be covered by several programs that provide technical assistance and funding for economic development. Based on locally- and regionally-developed priorities, the EDA works in partnership with state and local governments, regional economic development districts, public and private nonprofit organizations and Indian tribes. EDA is located at the U.S. Department of Commerce, 14th & Constitution Avenue, N.W., Washington D.C. 20230. Telephone: (202) 482-5081.

U.S. Department of Labor's NAFTA Transitional Adjustment Assistance Program

After more than three years (since January 1, 1994) of the NAFTA-TAA program, 1,904 petitions have been received for workers in firms located in 48 states. As of June 2, 1997, the Department of Labor had made decisions on 1,843 petitions, with 59 percent (1090 cases) being certified and 41 percent (753 cases) being denied or terminated.

- 545 of the certifications were based on a shift in production from the U.S. to Mexico or Canada.
- 365 were based on increased customer imports.
- 157 were based on increased subject firm imports from Mexico or Canada.
- 29 were based on high and aggregate imports from Mexico or Canada.
- These certifications cover 128,253 employees.

Eligibility for NAFTA-TAA Certification.

For a product line to be certified as eligible for the NAFTA-TAA program, the Department of Labor must certify that both:

(A) a significant number or proportion of workers within a discrete product line at an affected firm are totally or partially separated from their jobs or threatened with job loss, and

(B) either:

(1)(a) the sales or production of the product line at the firm decreased absolutely, and (b) increases of imports from Canada or Mexico of articles that are like or directly competitive with articles produced by the firm have contributed importantly to job losses and to decreases in company sales or production;

or,

(2) there has been a shift in production by the firm or subdivision to Mexico or Canada of articles that are like or directly competitive with the product line produced by the firm.

THE WHITE HOUSE

OFFICE OF CABINET AFFAIRS

Date: 9/5/97

To: FAST TRACK GROUP

From: DAVID BEAUBAIRE

Facsimile:

Telephone:

Subject: FYI

Pages: 4 (Including this cover sheet)

Comments:

HISPANIC CAUCUS

OLD EXECUTIVE OFFICE BUILDING ❖ ROOM 160 ❖ WASHINGTON, DC 20502

TELEPHONE (202) 456-2572 ❖ FACSIMILE (202) 456-6704

THE WHITE HOUSE

WASHINGTON

September 4, 1997

Dear Joe:

Thank you for sharing with me your observations regarding implementation of the North American Free Trade Agreement (NAFTA).

The expansion of trade associated with NAFTA and other agreements has contributed significantly to the dynamism of our economy over the past several years. Your support for fast track trade negotiating authority will be critical in maintaining that dynamism by tearing down foreign barriers and helping American workers compete abroad.

At the same time, you and I recognize that increased international competition brings challenges for some workers, especially those in the low-wage industries already vulnerable because of technological and other economic changes. That is precisely the reason we worked hard together to ensure NAFTA includes special provisions to protect the most vulnerable. In assessing the first three years of NAFTA's implementation, I believe these provisions have proven their value. However, as you point out, many challenges remain. I am committed to ensuring NAFTA fulfills its promise for all Americans.

NAFTA is building a solid record on addressing environmental challenges which are unique to the U.S.-Mexico border. Of course, many of the border environmental problems were decades in the making and will take many years to resolve. As you suggest, there are significant obstacles to financing environmental infrastructure, which the North American Development Bank (NADBank) is working to overcome. NADBank is now working closely with the Border Environment Cooperation Commission and federal and state officials on both sides of the border to identify and develop projects in the border region. NADBank is also establishing co-financing mechanisms with the Environmental Protection Agency and other grant programs to provide affordable financing for poor border communities. In addition, the NAFTA process for citizen submissions on environmental enforcement appears to be working effectively. The Commission for Environmental Cooperation has evaluated all submissions and pursued their resolution in accordance with the North American Agreement on Environmental Cooperation.

NAFTA is helping to protect the rights of trade-affected workers. The North American Agreement on Labor Cooperation breaks new ground in providing for oversight of national labor law enforcement. We have achieved a high measure of success in the review of the complaints that have been submitted. In one case, a Mexican labor tribunal granted recognition to the petitioning union, reversing an earlier decision, and afforded a new hearing for workers dismissed for union activity. In other cases, workers were permitted secret ballot elections, a practice not common in Mexico. Mexico has also made important legal advances on labor rights since NAFTA was signed.

Recognizing that some workers require assistance in adjusting to new patterns of trade and production, the NAFTA Transitional Adjustment Assistance (NAFTA-TAA) program provides expanded retraining and income support benefits. Overall, the program is proving its worth. However, concerns have been raised regarding the disproportionate impact on some communities. My Administration is committed to addressing these concerns. Secretary Herman recently travelled to El Paso, Texas to assess the economic impact on this border community. She conveyed to me her assessment that El Paso has strong economic prospects, but needs specialized job retraining for displaced workers.

Both the Transitional Adjustment Assistance (TAA) and NAFTA-TAA programs must be reauthorized before they expire on September 30, 1998. Secretary Herman will work closely with you and other members of the Hispanic Caucus and relevant committees to make both programs more effective for Latino trade-affected workers. In addition, it is essential that we intensify outreach to trade-affected workers, as well as affected secondary workers, to help them take advantage of existing services.

NAFTA breaks new ground in including financing through NADBank's Domestic Window for communities adversely affected by trade, reflecting concerns raised by the Hispanic Caucus. Although it has taken time to create a viable financial framework for the first U.S.-supported development bank within U.S. borders, NADBank's Domestic Window has been operating in Los Angeles since early 1996 and is now fully operational. Last month, the Department of Treasury announced the designation of 35 sites around the country as eligible for financing, and additional sites should be identified within the next month. In these areas, the NADBank, the Departments of Treasury and Agriculture, and the Small Business Administration are engaged in extensive outreach and marketing to help communities take advantage of loan guarantees, and the Los Angeles Office is working with borrowers interested in direct lending. Treasury plans to convene a public meeting of the Presidential Advisory Committee for Community Adjustment and Investment in El Paso in November to gain greater knowledge of the problems confronting trade-affected communities.

I firmly believe the institutions created by NAFTA are strengthening labor and environmental protections in North America -- and I hope you agree. However, this is a long-term process, requiring perseverance and continual improvement. It will be useful for Secretary Rubin and Secretary Herman to hear your concerns first-hand when you meet next week. I have asked my National Economic Adviser, Gene Sperling, to take the lead from the White House in coordinating Administration-wide efforts and to work closely with you and other members of the Hispanic Caucus to address your concerns.

I hope you will work with me in support of future trade agreements that help America compete in the global economy and contribute to improved living standards and environmental protection.

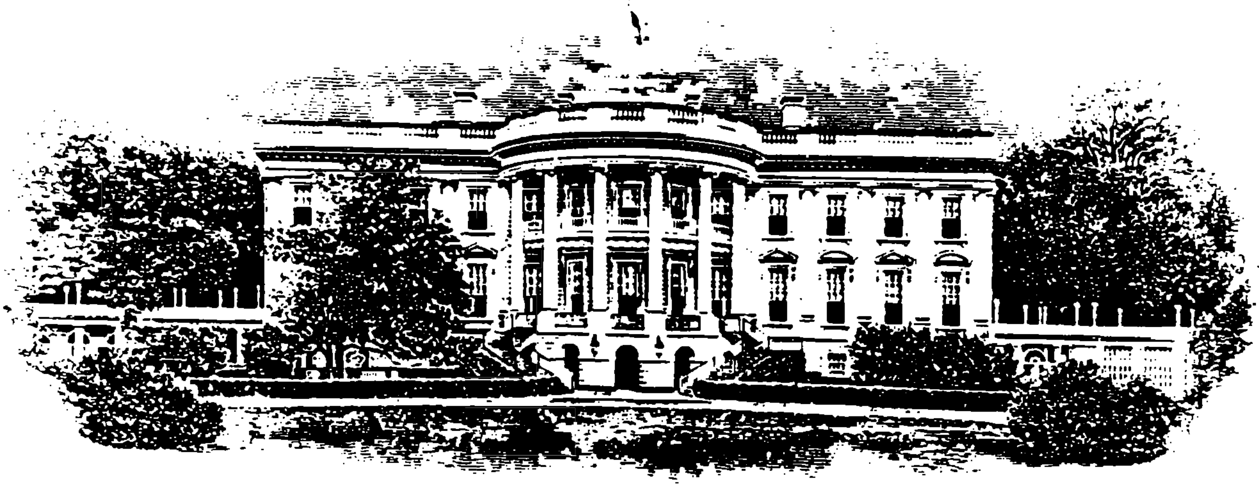
Sincerely,

Bill

The Honorable José E. Serrano
House of Representatives
Washington, D.C. 20515-3216

THE WHITE HOUSE

EXECUTIVE OFFICE OF THE PRESIDENT



OFFICE OF JASON BERMAN
SPECIAL COUNSELOR TO THE PRESIDENT
FAX: (202)-456-2464
PHONE: (202)-456-2694

TO: Bill Goldwyn, Office of Amb Richardson

FROM: Jay Berman, Special Counselor

DATE: 8/21/97

RECEIVER FAX: 202 736 7551

RECEIVER PHONE: 202 736 7578

NUMBER OF PAGES (INCLUDING COVER SHEET) 9

COMMENTS:

August 27, 1997

Memorandum

To: Bill Goldwyn, Office of Ambassador Bill Richardson
From: Jay Berman, Special Counselor to the President
Subject: Hispanic Caucus Letter

As we discussed, I am attaching a copy of the Caucus letter on fast track and their release on a NAFTA study. The response to the letter is at NEC and I will try to get it to you before it is sent back.

A meeting with the Caucus has been scheduled for September 9 at 2p.m., Secretary Herman and Secretary Rubin are planning to attend. Any thoughts?

I would like to talk to Bill when he has a moment.

R to May 97

Congress of the United States
Washington, DC 20515

July 16, 1997

The Honorable William Jefferson Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

As you prepare to request that Congress grant new fast track trade negotiating authority, we are writing to ask your support for future trade agreements that promote improved living standards, a cleaner environment, and the protection of human rights in the U.S. and around the globe.

There is no question that international trade is increasingly important to the American economy. The enhanced integration of the economies in this hemisphere is both inevitable and desirable for the future prosperity of our nation. However, to ensure that the benefits of expanded hemispheric trade are maximized and the harmful effects are minimized, it is imperative that we heed the lessons from existing treaties, particularly as they relate to working families and the environment. After carefully examining the impact of NAFTA, we have concluded that a number of changes must be made to the basic structure and implementation of the Agreement before we can support its expansion.

NAFTA Impact

While there is wide disagreement about the economic impact of NAFTA, it is generally accepted that the treaty has produced both winners and losers. A recent study by a coalition of Latino leaders reveals that NAFTA has produced more job loss than job gains. The study concludes that over 315,000 jobs have been lost or threatened compared to 225,000 jobs gained or supported, for a net labor market impact of 90,000 under NAFTA. Moreover, the Latino Coalition study shows that these losses have been particularly severe in certain regions, industries and segments of the workforce. Latinos, African Americans and women, who are more likely to be employed in low-wage, import-sensitive industries, are particularly vulnerable to dislocation due to trade. For example, El Paso, Texas has lost 6,000 jobs as a result of NAFTA, most of which were concentrated in one industry, contributing to an increase in its unemployment rate from 9 to almost 12 percent.

NAFTA Implementation

Unfortunately, the provisions adopted to mitigate the harmful effects of NAFTA have proven deficient and their implementation grossly negligent. The Latino Coalition study shows that, although Latinos have been disproportionately affected by NAFTA, their experience in the training programs designed to assist NAFTA-dislocated workers has led to neither increased employment prospects nor economic well-being. Latinos displaced by NAFTA are significantly under-served by the NAFTA-TAA program and secondary workers are virtually absent. Furthermore, the typical training offered fails to meet the needs of the most vulnerable displaced Latino workers. In short, the NAFTA-TAA program is just a shadow of the program Latino leaders insisted on as a condition of support for NAFTA.

The NAFTA-TAA program clearly requires improvement in its design and structure; but the principal cause of its failure to adequately serve Latino workers is poor implementation by the Department of Labor. As the Latino Coalition study documents, the program has been plagued by the absence of clear regulations and guidance, inadequate outreach and a severe lack of focus. The implementation of the North American Development Bank's (NADBank) Domestic Window program by the Department of the Treasury has proven to be even more problematic.

The NADBank was created at the insistence of Latino leaders to mitigate the harmful effects of NAFTA on American workers and the environment. It was designed to mobilize financing for environmental infrastructure projects along the U.S.-Mexico Border, and to help create jobs in communities that suffered significant job loss as a result of NAFTA. Yet, after three and a half years, the NADBank's Domestic Window, the component designed to create jobs in communities negatively impacted by NAFTA, has failed to issue a single loan or help to create a single job, despite 315,000 jobs lost or threatened due to NAFTA. This legacy of neglect has occurred despite our consistent prodding, pressure and public criticism of the Domestic Window program.

The NADBank's border environmental infrastructure component has been slowed by limitations in the Bank's Charter and the economic characteristics of the border region. For example, only four loans have been approved to date. The Latino Coalition study reveals that many border communities are too small and too poor to afford any interest rate that is not subsidized. The NADBank's lending rates are market oriented, creating the perception that its rates are too high. Further complicating lending in these communities is the Bank's own borrowing costs, which are based on the taxable, not the tax exempt, market. Despite these problems, the NADBank can actually provide financing at lower rates than U.S. commercial banks, and at much lower rates than banks in Mexico. The economic conditions of these communities have also required extensive technical assistance from the NADBank to produce project proposals that are technically and financially feasible.

A serious lack of coordination between the NADBank and the Border Environment Cooperation Commission (BECC) has also delayed the Bank's lending activity. The Latino Coaliton study found that failure to integrate the NADBank into the initial stages of the BECC's project development process has inhibited both institutions from working efficiently and effectively. This lack of coordination has resulted in the certification of projects by the BECC that did not meet the requirements of the Bank's loan and guaranty policies. Unlike the Domestic Window, however, the NADBank's environmental infrastructure component has diligently worked to overcome these obstacles and we are hopeful that the Bank's lending activity along the border will continue to accelerate.

NAFTA's Structural Limitations

Perhaps the single biggest flaw in NAFTA was its failure to incorporate labor and environmental issues as a chapter in the core agreement, rather than as side agreements. So far, the few complaints that have been brought under the labor side agreement have made little or no impact. Only five cases concerning Mexico have been brought under the labor side agreement, and none of these cases has resulted in a union being recognized or noticeable changes being made in the lives of the workers involved. Clearly, if the rights of workers are to be protected in future trade agreements there must be strong mechanisms of enforcement — a mechanism that is not available under NAFTA.

The environmental side agreement has also failed to provide adequate protection from increased production resulting from NAFTA. The increase in post-NAFTA border economic activity has increased cross-boundary population, industrial and toxic emissions and waste. In addition, the North American Commission for Environmental Cooperation (NACEC), which was designed to ensure enforcement of environmental laws under NAFTA has proven to be ineffective. Of the ten complaints filed not a single one has led to either enforcement orders or economic sanctions against any participating country. Yet, the promised improvements to the health and safety of working families along the border has not occurred. The NAFTA environmental side agreement has simply not been adequate to the task.

Conclusion

We continue to share your goal of expanding trade to Chile and ultimately the rest of Latin America. Delegating fast track trade negotiating authority, however, is a responsibility we take very seriously. Before we can support your request for such authority we must be certain that the economic, safety and health interests of our constituents are not compromised by future trade agreements. As the new Latino Coalition study so vividly illustrates, these interests have not been adequately protected under NAFTA. Therefore, until the flaws in the structure and implementation of NAFTA are addressed, we simply cannot support its extension.

Sincerely,

ESTEBAN E. TORRES
Member of Congress

SILVESTRE REYES
Member of Congress

LORETTA SANCHEZ
Member of Congress

ED PASTOR
Member of Congress

NYDIA M. VELAZQUEZ
Member of Congress

MATTHEW G. MARTINEZ
Member of Congress

JOSE E. SERRANO
Member of Congress

RUBEN HINOJOSA
Member of Congress

LUIS V. GUTIERREZ
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XAVIER BECERRA
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CIRO D. RODRIGUEZ
Member of Congress

ROBERT MENENDEZ
Member of Congress

SOLOMON P. ORTIZ
Member of Congress

SAM FARR
Member of Congress

GENE GREEN
Member of Congress

LUCILLE ROYBAL-ALLARD
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Caucus
Members?
no Reports?

U.S. REPRESENTATIVE

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FOR IMMEDIATE RELEASE
July 16, 1997

CONTACTS: Roderic Olvera Young (202) 225-5258
Jamie Casso, (562) 695-0702

Major Study on NAFTA Portends Debate on Fast Track

16 Members of Congress Sign Letter Urging President Clinton to Fix NAFTA Flaws

Washington D.C. — At a press conference today, the National Council of La Raza (NCLR), the Willie C. Velasquez Institute (WCVI), and Dr. Raul Hinojosa-Ojeda, Ph.D., UCLA/North American Integration and Development Center, jointly released "A Latino Review on President Clinton's NAFTA Package." A coalition of members of Congress, led by Representative Esteban E. Torres (D-CA), also presented a letter to the President urging that he not compromise the economic, safety and health interests of hardworking Americans in negotiating future trade agreements.

Congressman Torres: "This past Friday President Clinton released his assessment of NAFTA. Not too surprisingly, the review skirted the issue of job loss. In our communities, the silence was deafening.

"Three and a half years ago, during the debate on NAFTA, some of my colleagues and I fought to include programs in NAFTA to deal with potential job loss. It was not an easy vote. We knew that NAFTA was a new and untried model for promoting international trade. We also knew it was a model for trade that posed many risks.

"But those of us in the Latino community who voted for NAFTA believed we could make it better. And we did make it better. We designed a new worker retraining program to help workers displaced by NAFTA. We created institutions like the NADBank and the BECC to clean-up the border. We even set-aside a window in the NADBank to promote investment in communities that were hit hard by job loss related to NAFTA.

Continued on page 2 —

Congressman Esteban E. Torres
Continued from page 1 –

"After three years of prodding and constant vigilance, little or nothing has happened to address the adverse effects of trade — and far too many communities are paying the price. The report we are releasing today reinforces what people in these communities already know. Mr. President, we cannot ignore these issues. We cannot ignore the fact that Latinos are bearing the brunt of NAFTA related job loss. We cannot ignore that our training programs don't work. And we cannot ignore that the pollution of our border continues almost unabated.

"In the letter we are sending to the President today, we seek the President's support for future trade agreements that promote improved living standards, a cleaner environment, and the protection of human rights in the U.S. and around the globe. We would be remiss if we did not address these issues before granting the President fast track negotiating authority."

Also signing the letter to President Clinton are: Representatives Xavier Becerra (D-CA), Sam Farr (D-CA), Ruben Hinojosa (D-TX), Gene Green (D-TX), Luis Gutierrez (D-IL), Matthew Martinez (D-CA), Robert Menendez (D-NJ), Solomon Ortiz (D-TX), Ed Pastor (D-AR), Silvestre Reyes (D-TX), Ciro Rodriguez (D-TX), Loretta Sanchez (D-CA), Jose Serrano (D-NY) and Nydia Velazquez (D-NY).

THE LATINO REVIEW ON NAFTA FOUND:

General Labor Findings

- Latino, Black and women workers are overrepresented in post NAFTA negative employment impacts compared to their share of the labor force.
- Latino, Black and women workers are under-represented with respect to their share of employment in NAFTA-TAA certified sectors, indicating that they are underserved by retraining programs.
- Latinos are highly over-represented in industries experiencing the highest levels of employment loss as measured by NAFTA-TAA, such as garments, textiles, electronic and transportation parts.
- Secondary workers are absent from USDOL regulations for NAFTA-TAA program. As a result, an entire class of eligible workers are left unserved.
- Latino, Black and women worker's job losses are much more linked to Mexico than are Anglo workers, while White job losses are much more linked to Canadian trade and investment flows than are Latinos, Blacks and women.

Continued on page 3 –

Congressman Esteban Torres
Continued from page 2 –

Recommendations

- Design and aggressively implement new outreach and certification methods focused on highly impacted industries and secondary workers, to increase participation of NAFTA-dislocated workers in NAFTA-TAA program.
- Provide for longer transition period in the areas of textiles, garments, electronics and transportation parts, where Latinos, Blacks and women are hardest hit.

Domestic Job Loss

- The Community Adjustment and Investment Program (CAIP), is a "window" of the NADBank, based in Los Angeles County. Capitalized at $22 million, the CAIP is intended to loan and leverage funds for job-creating projects in communities that have experienced NAFTA-related job loss. Yet, more than three years after its creation, not one loan has closed.

Recommendation

- Reassign the CAIP from Treasury to a different agency, perhaps HUD, to ensure proper implementation.

Environment

- Out of 80 environmental project applications to the BECC to date, only 16 have been certified for funding by the NADBank. Moreover, the NADBank has only approved one project, with only three more expected to close in 1997.

Recommendation

- Mexico and the U.S. should institute a two-year moratorium on new border region maquiladoras to the NAFTA text.

Study Conclusions

- While trade between North American countries has grown significantly and continues to hold promise, NAFTA has not created the windfall of jobs that the Clinton Administration predicted. In fact, in employment terms, the impact has been modestly negative overall, with more pronounced impacts on Latino, Black and women workers.

THE WHITE HOUSE
WASHINGTON

8/24

Dent Caucus
letter to
Amb. Richardson

~~as rec'd~~ ~~best~~ ~~out~~ response
& Caucus mtg 9/9

immunity." Reformers believe, wrongly, that with enough legal ingenuity you can squeeze private money out of politics.

So they limit direct contributions to parties and candidates. The people and groups that have stakes in politics, however, don't disappear, nor should they. They just spend on "educational" campaigns, as Americans for Limited Terms and the Wisconsin manufacturers and the Sierra Club and big labor and a thousand other groups do. Advocates of the regulatory approach are infuriated that this "issue advocacy," which they view as money rather than speech, is protected by *Buckley*'s "express advocacy" clause, which they regard as a loophole rather than a protection. So now they are trying to disembowel *Buckley*.

That is why Wisconsin is claiming that ALT's ads were in fact not constitutionally protected: the ads, the state argues in a minor masterpiece of gobbledygook, may not have expressly advocated Travis's defeat, but they "had the political purpose of expressly advocating" his defeat. (Got that?) It's also why the McCain-Feingold campaign-reform plan would broaden the definition of regulable "express advocacy" to include just about anything said about a candidate before an election (i.e., anything that a "reasonable person," meaning a bunch of lawyers, would understand as advocating any candidate's election or defeat).

And it's why two reform advocates—former Senator Nancy Kassebaum Baker and former Vice President Walter F. Mondale—can write with apparently straight faces that "the election law should be tightened to distinguish clearly between media advertisements that are campaign endorsements or attacks and those that genuinely debate issues," which is like saying that the law should be tightened to distinguish clearly between sex for love and sex for pleasure.

Making it possible for candidates to run for office without selling themselves to moneyed interests is a worthy goal for campaign law; but the way to do that is with generous public financing for candidates who agree not to accept or raise private donations (an approach that Maine is now trying). The whole effort to micromanage private political speech, by contrast, is exactly the opposite of what campaign-finance law should be doing.

Certainly one sympathizes with politicians like Travis who are frustrated when narrow groups with opaque names parachute into campaigns with hostile ads. But the fact is that ads about term limits and tort lawyers and toxic mining tell the public something worth knowing. The law should see such ads as an asset, not a liability, and the voters should be trusted to sort through the cacophony. Travis's own term, after all, was not limited. He was re-elected with 60 percent of the vote—after eighteen years, one of his strongest showings.

JONATHAN RAUCH is the author of *Demosclerosis: The Silent Killer of American Government* (Times Books).

Hispanic discontent and free trade.

BEFORE AND NAFTA

By John Maggs

Four years ago, Congressman Esteban Torres helped put Bill Clinton over the top on NAFTA. Torres, a California Democrat, announced his support for the North American Free Trade Agreement one month before the congressional vote—and then only after the administration assured him that it would establish job-training programs and a North American Development Bank to assist workers who lost their jobs because their firms had moved to Mexico. Torres's support proved critical: he is a former United Auto Workers official, so his decision gave cover to other House Democrats—particularly fellow Hispanics—nervous about angering labor unions. Exultant White House officials staged an extraordinary press conference in the Treasury Department's ornate Cash Room, where the California congressman was the guest of honor.

Today Torres says he regrets backing NAFTA—and he has company. Last month Torres and several other Hispanic House members sent a letter to the president, complaining that NAFTA had harmed their constituents. Since six of the signatories had voted for NAFTA in 1993, the letter came as an unpleasant surprise to the White House, which this fall will ask Congress to renew its fast-track negotiating authority so it can expand NAFTA to Chile and other Latin American countries.

The fast-track question is shaping up as a referendum on NAFTA and what it has (or hasn't) done to the U.S. economy. The administration knows it will be a tough fight: organized labor has already declared its opposition, and a recently released, congressionally mandated, report showed that Clinton exaggerated in predicting big job gains from NAFTA. That is why the White House had been counting on the support of legislators like Torres. Hispanics, it was hoped, would see an expanded NAFTA as a way to create an economic community of 250 million Spanish-speakers.

Was the administration simply wrong about the affinity of Hispanics for expanding trade with Latin America? Not really. It turns out the defection of Torres and his allies has more to do with constituency politics than economics: they are abandoning NAFTA primarily because the administration never delivered on the promises of job training and federal grants.

Even now, Hispanic rights groups such as the National Council of La Raza can find good things to say about the treaty—in principle. In 1993, says Raul Yzaguirre, La Raza's president, "we determined that NAFTA would be a net plus for the economy, and for our members. And we still think that it will be." Torres offers a similar verdict: "NAFTA has done a lot of good. I think it is working, in the sense that trade is creating opportunity. And clearly our future depends on increasing these opportunities."

Yet while Hispanic lawmakers acknowledge that NAFTA has probably helped the economy in the aggregate, they are still subject to pressure from voters in their districts who see only the immediate impact of even a few lost jobs. "Hispanic Americans are most at risk from free trade," says Yzaguirre. "The jobs they hold—textiles and other [light] manufacturing, are the very jobs that are impacted." And workers don't necessarily have to lose their jobs to feel the pressure of NAFTA: in a global economy, employers can use the threat of relocation as a way to resist demands for higher wages, better benefits or recognition of unions.

But, however real the sentiments are, they don't add up to a compelling case against NAFTA. For starters, the Labor Department says that fewer than 6,000 workers have lost their jobs because of NAFTA; with unemployment at a twenty-four-year low, workers displaced by import competition are landing new jobs before they have time to file for unemployment. In addition, there's scant evidence that Mexico's tiny economy—4 percent the size of the United States'—has appreciably lowered wages.

Consider one of Torres's favorite examples, the case of a shuttered California fruit and vegetable processing plant, where 1,000 unionized workers lost their jobs. "The exact same operation was set up over the border in Mexico," he says. In reality, NAFTA didn't change processed fruit tariffs—it couldn't have triggered the move. The company relocated because employees had organized a union, and this kind of thing was happening long before NAFTA.

Nevertheless, such closings have put congressmen like Torres in a bind. "I've taken a lot of heat," Torres says. "Certain promises were made about helping make the adjustment to free trade, and they were not kept." He is talking about, among other things, the North American Development Bank. The idea was to have the federal government fund an independent bank that would lend money for environmental, infrastructure and community development projects in areas hurt by NAFTA. For an administration desperate for congressional support, the $3 billion NADBank was worth the price. "The joke about Torres was, one man, one bank," said a former trade official. The bank was eventually set up in Los Angeles, near Torres's district.

But the administration endorsed NADBank without a very clear idea of what the bank was supposed to be. "I think it is fair to say that there were some unrealistic expectations about how this money would be used," said an official involved with cutting the deal. "I don't think anyone at Treasury knew what this bank was supposed to do." As a result, bureaucrats were in no rush to get the NADBank up and running, and they argued endlessly about what its lending criteria should be. Ideas for projects were floated from California, but they didn't meet the bank's lending terms. "We heard about a lot of projects that really had nothing to do with NAFTA and a lot that were not viable commercially," said one official. "They wanted to borrow the money, but could not begin to explain how it would ever be paid back." So far, no money has been loaned for projects in the United States.

Torres blames the administration for not educating local officials about getting access to NADBank funds. Two weeks after Torres sent his letter, the White House made a conspicuous response. Treasury Secretary Robert Rubin announced that the NADBank had certified thirty-five communities in nineteen states as eligible for economic development loans. The money will be handed out through the Los Angeles office of the NADBank, and through the Small Business Administration and the Agriculture Department.

But this may turn out to be just another case of pumping money into districts of swing lawmakers, with little regard for whether the recipients actually suffered from NAFTA. For example, Congress also approved extra unemployment benefits for workers displaced by NAFTA, but now the Labor Department admits that most of the plant closings certified under the program had nothing to do with the trade agreement. Northwest electric utility Pacificorp, for example, says that foreign competition was not related to a layoff of 250 workers that was "certified" under the NAFTA program.

There's no reason to think that NADBank money is going to be handed out with more discretion. White Pine, Michigan, made Treasury's list, due to the 1996 shutdown of a copper mine that employed 1,100. But mine manager Eric Dutson blamed a cyclical turndown in copper prices, not competition from Canada or Mexico. White Pine, it turns out, is a double-dipper—it also qualified for the NAFTA unemployment program. Just like the misdirected NAFTA unemployment funds, NADBank money is likely to fill the general purpose political needs of the administration and its allies in Congress.

In any event, Torres isn't satisfied with Treasury's announcement, because it promises to release money in dribs and drabs to small businesses and farms. He believes NADBank money should be used to fund the kind of big infrastructure projects that put people directly to work. He and the other Hispanic lawmakers also wonder what happened to the other big NAFTA promise—a massive job-training program. "That was the deal: we do NAFTA, and then we do worker training, but it didn't happen," says former Labor Secretary Robert Reich.

Reich thinks this broken promise dooms Clinton's hopes for fast track, and he may be right. Without the support of Hispanics, a congressional majority may be even harder to craft than it was last time. To win, not only will Clinton need to make more promises, but he'll also have to back them with more money—all to make more palatable a measure that is perfectly worthy on its own merits.

JOHN MAGGS writes on international business and economics for *The Journal of Commerce*.

DEPARTMENT OF THE TREASURY
WASHINGTON

July 30, 1997

MEMORANDUM FOR JAY BERMAN
VICKI RADD
NANCY LEAMOND
BOB KYLE
LAEL BRAINARD

FROM: Michael Froman MF

SUBJECT: North American Development Bank

On Friday, August 1st, Treasury will announce the 35 initial communities across the nation where businesses seeking to create jobs may be eligible for loans or loan guarantees through the United States Community Adjustment and Investment Program (CAIP), a program that works through the U.S. government and the North American Development Bank. As you know, this program was established to help communities that have experienced job losses related to NAFTA.

This program has already received press attention in recent weeks, and the announcement of these 35 communities will no doubt focus additional attention on NAFTA and the fast-track debate.

Attached is a packet containing:

- press release
- list of the 35 sites
- list of the relevant members of Congress
- questions and answers
- fact sheet

Please give me a call if you have any questions.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

FOR IMMEDIATE RELEASE
August 1, 1997

Contact: Kelly Crawford
202-622-2960

STAGE I SITES FOR THE UNITED STATES COMMUNITY ADJUSTMENT AND INVESTMENT PROGRAM

The Department of the Treasury today announced that businesses in 35 communities are eligible for loans or loan guarantees through the United States Community Adjustment and Investment Program (CAIP) to help these businesses create new job opportunities.

In (STATE), businesses in the (CITY, CITY, CITY) are eligible for these loans or loan guarantees.

The CAIP was established to encourage and foster economic opportunities within communities that have experienced job losses related to implementation of the North American Free Trade Agreement (NAFTA). The CAIP works through the coordinated efforts of the United States Government and the North American Development Bank (NADBank) to provide business financing in areas with job displacement and few existing job opportunities.

"We are committed to helping those communities which may have been affected by NAFTA. While NAFTA has benefited the U.S. economy as a whole, we are committed to ensuring that capital is available to create new job opportunities where they are most needed," Treasury Secretary Robert E. Rubin said.

The NADBank is an international financial institution jointly capitalized and governed by the United States and Mexico to finance environmental infrastructure projects along the U.S./Mexico border and provide financial assistance for domestic community adjustment and investment in both countries. Approximately ten percent of the United States' contributions to the NADBank (approximately $20 million) is earmarked for CAIP.

The thirty-five areas eligible for CAIP loans or loan guarantees were identified based on statistics provided over the past two years by the Department of Labor NAFTA-Transitional Adjustment Assistance (NAFTA-TAA) program and the 1996 unemployment data, as estimated by the Bureau of Labor Statistics. Businesses in these communities may be eligible to borrow directly from the NADBank or other federal loan guarantee programs operated by the United States Department of Agriculture and the Small Business Administration.

Businesses in other communities will be eligible for future CAIP financing. The criteria includes: (1) evidence of a significant job loss connected to the passage of NAFTA and a substantial continued need for transition assistance; (2) the project for which the funding is being sought will create new private sector jobs; and (3) the business lacks access to private sector lending at reasonable terms and conditions.

Communities, businesses or financial institutions that are interested in the CAIP should contact the NADBank Los Angeles Office, Tel: (562) 908-2100, Fax: (562) 908-2110 or write to NADBank, 13191 Crossroads Parkway North, Suite 275, City of Industry, CA 91746.

-30-

Hispanic Caucus

35 Communities Are Eligible for Loans Under Nafta Program

WASHINGTON, Aug. 2 (AP) — The Clinton Administration, accused of not doing enough to deal with job losses caused by increased competition from Canada and Mexico under the North American Free Trade Agreement, has released a list of 35 communities in 19 states that will be eligible for economic development loans.

A group of Hispanic members of Congress said last month that the Administration was dragging its feet in carrying out the loan program. No loans have been approved even though the trade agreement took effect more than three years ago.

Businesses in the designated areas, which include Syracuse and Fulton, N.Y.; Elizabeth, N.J., and Dayville, Conn., will be able to apply for loans and loan guarantees administered through the North American Development Bank. Treasury officials said more communities would be added in coming months.

The $3 billion bank was set up by Congress in 1993 as part of the legislation that created Nafta. It is supposed to provide loans for environmental cleanup projects along the United States' border with Mexico and support economic development in cities hit hard by job losses caused by increased competition from Mexico and Canada.

In a letter sent last month to President Clinton, a group of Hispanic lawmakers threatened to withhold support for the Administration's efforts to expand Nafta to other Latin American countries unless more was done to help displaced American workers.

Representative Esteban Torres, Democrat of California, one of the main sponsors of the development bank in 1993, said on Friday that he was disappointed that more areas were not included on the initial list, given that the Labor Department had certified job losses from Nafta in virtually every state.

"This is an answer to some of the criticism we raised, but much remains to be done," Mr. Torres said in an interview. "There is still a long way to go."

The trade agreement over all has bolstered the United States economy through increased exports to Mexico and Canada, but care must be taken to deal with workers who have lost jobs, Administration officials said.

"While Nafta has benefited the U.S. economy as a whole, we are committed to insuring that capital is available to create new job opportunities where they are most needed," Treasury Secretary Robert E. Rubin said in a statement.

The loans and loan guarantees will go to businesses to support jobs in the designated areas.

The economic development office of the North American Development Bank is in Los Angeles, but officials said businesses could also apply through their local Small Business Administration or the Agriculture Department.

Following are the 31 other communities declared eligible by the Treasury Department for business loans under the program:

Ketchikan, Alaska; Blytheville, Des Arc and Pocahontas, Ark.; Pacoima, Santa Ana and Watsonville, Calif.; Dawson and Vidalia, Ga.; Hayden Lake, Idaho; Monon, Ind.; Coushatta, La., and White Pine, Mich.

Also, St. Joseph, Mo.; Chocowinity, Laurinburg, Lumberton, Rocky Mount, Tarboro and Washington, N.C.; Greenfield, Ohio; Erie and Lewistown, Pa.; Celina, Tenn.; Brownsville, El Paso and Robstown, Tex.; Centralia and Richland, Wash., and Hawkins and Racine, Wis.

Stage I of the U.S. Community Adjustment and Investment Program

Alaska
Ketchikan, Ketchikan Gateway Borough

Arkansas
Blytheville, Mississippi County
Des Arc, Prairie County
Pocahontas, Randolph County

California
Pacoima, Los Angeles County
Santa Ana, Orange County
Watsonville, Santa Cruz County

Connecticut
Dayville, Windham County

Georgia
Dawson, Terrel County
Vidalia, Toombs County

Idaho
Hayden Lake, Kootenai County

Indiana
Monon, White County

Louisiana
Coushatta, Red River Parish

Michigan
White Pine, Ontonagon County

Missouri
St. Joseph, Buchanan County

New Jersey
Elizabeth, Union County

New York
Fulton, Oswego County
Syracuse, Onondaga County

North Carolina
Chocowinity, Beaufort County
Laurinburg, Scotland County
Lumberton, Robeson County
Rocky Mount, Edgecombe & Nash Counties
Tarboro, Edgecombe County
Washington, Beaufort County

Ohio
Greenfield, Highland County

Pennsylvania
Erie, Erie County
Lewistown, Mifflin County

Tennessee
Celina, Clay County

Texas
Brownsville, Cameron County
El Paso, El Paso County
Robstown, Nueces County

Washington
Centralia, Lewis County
Richland, Benton County

Wisconsin
Hawkins, Rusk County
Racine, Racine County

Stage 1 Sites

STATE	CITY/(COUNTY)	REP(S)/DISTRICT	SENATOR(S)
Alaska	Ketchikan (Ketchikan Gateway)	Don Young (R) At-Large	Ted Stevens (R) Frank H. Murkowski (R)
Arkansas	Blytheville (Mississippi)	Marion Berry (D)(1st Dist.)	Dale L. Bumpers (D) Y. Tim Hutchinson (R)
	Des Arc (Prairie)		
	Pocahontas (Randolph)		
California	Arletta/Pacoima (Los Angeles)	Howard P. McKeon (R) (25th Dist.) & Howard Berman (D) (26 th Dist.)	Dianne Feinstein (D) Barbara Boxer (D)
	Santa Ana (Orange)	Rohrabacher (R) (45 Dist.) L. Sanchez (D) (46 Dist.) Chris Cox (R) (47 Dist.)	
	Watsonville (Santa Cruz)	Tom Campbell (R) (15 Dist.) Sam Farr (D) (17 Dist.)	
Connecticut	Dayville (Windham)	Sam Gejdenson (D) (2nd Dist.)	Christopher Dodd (D) Joseph Lieberman (D)
Georgia	Vidalia (Toombs)	Bob Barr (R) (7th Dist.)	
	Dawson (Terrell)	Sanford Bishop (D) (2nd Dist.)	
Idaho	Hayden Lake (Kootenai)	Helen Chenoweth (R) (1st Dist.)	Larry E. Craig (R) Dirk Kempthorne (R)
Indiana	Monon (White)	Stephen E. Byer (R) (5th Dist.)	Richard G. Lugar (R) Dan Coats (R)
Louisiana	Coushatta (Red River)	Jim McCrery (R) (4th Dist.)	John B. Breaux (D) Mary L. Landrieu (D)
Michigan	White Pine (Ontonagon)	Bart Stupak (D) (1st Dist.)	Carl Levin (D) Spencer Abraham (R)

Missouri	St. Joseph (Buchanan)	Pat Danner (D) (6th Dist.)	Christopher S. Bond (R) John Ashcroft (R)
New Jersey	Elizabeth (Elizabeth)	Donald M. Payne (D) (10 Dist.) & Robert Menendez (D) (13th Dist.)	Frank R. Lautenberg (D) Robert G. Torricelli (D)
New York	Fulton (Oswego)	John M. McHugh (R) (24th Dist.)	D. Patrick Moynihan (D) Alfonse M. D'Amato (R)
	Syracuse (Onondaga)	James T. Walsh (R) (25th Dist.)	
North Carolina	Chocowinity (Beaufort)	Eva M. Clayton (R) (1st Dist.) & Walter B. Jones (R) (3rd Dist.)	Jesse A. Helms (R) Lauch Faircloth (R)
	Laurinburg (Scotland)	W.G. (Bill)Hefner (D) (8th Dist.)	
	Lumberton (Robeson)	Mike McIntyre (D) (7th Dist.) & W.G. (Bill) Hefner (8th Dist.)	
	Rocky Mount (Edgecombe/Nash)	Eva M. Clayton (D) (1st. Dist.) & Bobby Etheridge (D) (2nd Dist.)	
	Tarboro (Edgecombe)	Same as Above (Dist. 1 and 2)	
	Washington (Beaufort)	Eva M. Clayton (D) (1st. Dist.) & Walter B. Jones (R) (3rd Dist.)	
Ohio	Greenfield (Highland)	Ted Strickland (D) (6th Dist.) & David L. Hobson (R) (7th Dist.)	John Glenn (D) Mike DeWine (R)
Pennsylvania	Erie (Erie)	Phil English (R) (21 Dist.)	Arlen Spector (R) Rick Santorum (R)
	Lewistown (Mifflin)	Bud Shuster (R) (9th Dist.)	

Tennessee	Celina (Clay)	Bart Gordon (D) (6th Dist.)	Fred Thompson (R) Bill Frist (R)
Texas	Brownsville (Cameron)	Solomon P. Ortiz (D) (27th Dist.)	Phil Gram (R) K. Bailey Hutchison (R)
	Robstown (Nueces)	Same as Above	
	El Paso (El Paso)	Silvestre Reyes (D) (16th Dist.)	
Washington	Centralia (Lewis)	Linda Smith (R) (3rd Dist.)	Slade Gorton (R) Patty Murray (D)
	Richland (Benton)	Richard Doc Hastings (R) (4th Dist.)	
Wisconsin	Hawkins (Rusk)	David Obey (D) (7th Dist.)	Russell Feingold (D) Herb Kohl (D)
	Racine (Racine)	Mark W. Neuman (R) (1st Dist.)	

Questions & Answers

Question: What is the Community Adjustment and Investment Program?

Answer: The Community Adjustment and Investment Program was created during the passage of NAFTA to encourage and foster economic opportunities within communities that are impacted with job losses related to NAFTA, to provide assistance for the area to adjust to the changing trade patterns. The program works through the coordinated efforts of the United States Government and the North American Development Bank (NADBank) and provides business financing in areas with high job losses connected to NAFTA and few existing job opportunities (as measured by high unemployment rates).

NADBank is an international financial institution capitalized and governed by the United States and Mexico primarily to finance environmental infrastructure projects along the U.S./Mexico border. In addition, ten percent of the United States' contributions to the NADBank is earmarked for domestic community adjustment and investment (approximately $20 million).

In February 1996, NADBank established an office dedicated to the U.S. Community Adjustment and Investment Program (located in Los Angeles, CA). The director and staff of the office have substantial economic development and financing experience. They will be working with the United States Government and the local communities in identifying projects and providing information on the program.

Question: What does it mean to be designated as a "Stage I" area?

Answer: Stage I of the program identifies 35 areas in which businesses may be eligible for financing projects, provided that they will create new private sector jobs and that they are creditworthy applicants. Financing through the CAIP requires that an applicant be located in a community that evidences job losses connected to NAFTA and a continued need for transition assistance (evidenced by a high level of unemployment). Using currently available data, thirty-five sites were identified with high numbers of worker certifications from the Department of Labor (through the NAFTA-TAA program) and high levels of unemployment in 1996. Stage I designation will allow the NADBank, and the Departments of Treasury and Agriculture and the Small Business Administration to concentrate marketing of the CAIP in these areas.

Question: How can other areas be designated?

Answer: Businesses in other communities may also be eligible for CAIP financing if (1) the area evidences a significant loss in jobs connected with the passage of NAFTA

(January 1994) as well as a substantial continued need for transition assistance; (2) the project for which the funding is being sought will create new private sector jobs; and (3) the applicant lacks access to private sector lending at reasonable terms and conditions.

Question: How will the program work?

Answer: Federal agencies and NADBank will conduct extensive marketing of the CAIP in the identified communities, providing lenders, chambers of commerce and community development organizations with material on the CAIP.

Question: Who should borrowers contact for the program?

Answer: Businesses that are located in identified communities should contact their local lenders, the local offices of either SBA or USDA or the Los Angeles Office of the NADBank.

Question: What is the role of the Federal government in the community adjustment program?

Answer: NADBank may only finance community adjustment projects within the United States if the projects are first endorsed by the United States Government. A Presidential Advisory Committee was established by Congress to provide technical assistance in establishing the program. Through an Executive Order, an interagency committee was established to develop and implement the program. Treasury serves as chair of the committee, with USDA, SBA and HUD as other federal members.

Businesses that are located in identified communities may be eligible for loans or loan guarantees through participating federal agencies. The Executive Order authorized Treasury to work with interested federal agencies to provide financing in connection with the CAIP. Treasury has entered into agreements with USDA and SBA for their loan guarantee programs.

Question: Why has it taken so long to develop the program?

Answer: The program was developed as a public process, with the lengthy input of public sessions, discussions among various agencies and non-government organizations. Since the establishment of the Presidential Advisory Committee in June 1995, a significant amount of necessary work has been completed.

- In February 1996, the NADBank established an office in Los Angeles, California for the purpose of assisting the United States Government with the development and implementation of the CAIP. Over the last year, the office has been conducting outreach and visiting impacted communities to meet with local economic development experts.

- In December 1996, guidelines for borrowing eligibility for the CAIP were announced by the federal government, with the assistance of a Presidential Advisory Committee.

- In June 1997, agreements were completed with the participating agencies (USDA and SBA) to provide financing through the federal programs in areas of impact and adjustment needs.

- The Presidential Advisory Committee has held six meetings, and continues to meet publicly at least twice a year to review the operations of the CAIP.

S
Copy to Vicki, Rodd, Janet, Murguia, Emily and Mialy
8-5-97

Sunday, August 3, 1997

PERSPECTIVE ON LABOR

Support for NAFTA Is Unraveling

■ The adverse impact on Latino and black Americans' jobs is turning some in Congress cool to extending the deal.

By FRANK DEL OLMO

PREV STORY

NEXT STORY

President Clinton showed leadership and political courage in pushing the North American Free Trade Agreement through a reluctant Congress four years ago. Even as he looked ahead to a tough reelection fight, Clinton ran the risk of alienating such key Democratic constituencies as organized labor and environmental groups to enact the trade pact initiated by his Republican predecessor.

But he wasn't the only politician who showed vision and guts on NAFTA. While the groundbreaking trade pact had solid support in the Senate, NAFTA might never have gotten to Clinton's desk if 68 Democrats in the House had not voted in favor of it. And among that cadre of pro-NAFTA Democrats, no one stuck his political neck out further than Esteban Torres of Pico Rivera.

Torres has represented several bustling blue-collar cities of southeast Los Angeles County in Congress for 15 years. But his roots as a traditional pro-labor liberal run far deeper than that. He once worked on an auto assembly line and even was a shop steward for the United Auto Workers.

But Torres also worked as a UAW representative in Latin America, which helped him establish pretty solid credentials as an internationalist. During the Carter presidency, he served for a time as ambassador to UNESCO.

So it was pretty hard, in 1993, to find a Democrat who was more conflicted about NAFTA, or who ran a bigger political risk if he voted for it. Thus, when Torres announced that he would support NAFTA, his decision swayed several other members of Congress' Hispanic Caucus to join him.

That is why the White House would be well advised to pay attention now that key members of the Hispanic Caucus, once again influenced by Torres, are backing away from NAFTA. This trend could delay or even derail Clinton's plan to expand NAFTA to include Chile and eventually other Latin American countries. A key vote on that proposal is expected in the fall, when the administration will ask Congress to approve "fast track" authorization to negotiate

NAFTA's extension.

Torres and his supporters do not dispute the conclusion of a recent administration report that found NAFTA's performance over the last three years mixed but still "modestly positive" for U.S. jobs and exports. But they argue that more needs to be done to mitigate the impact of free trade on U.S. workers.

Torres and other members of Congress asked a leading expert on NAFTA, Raul Hinojosa of UCLA, to revisit some of the studies he conducted in the early 1990s on NAFTA's possible impact. (These studies were used to help promote NAFTA in 1993.) Hinojosa crunched the numbers he got from Clinton's Treasury and Labor departments more precisely than the administration's NAFTA report did and came away with the worrisome conclusion that African Americans, women and Latinos suffered disproportionate job losses because of NAFTA, especially in California and the other states bordering Mexico.

The biggest impact Hinojosa found was in the Texas border city of El Paso, where roughly 6,000 jobs in the apparel industry moved south across the Rio Grande. Hinojosa estimates that this raised El Paso's unemployment rate from 9% to 12%.

NAFTA's impact on El Paso is the reason that one of the first Latinos in Congress to join Torres' effort to mitigate NAFTA's impact was Rep. Silvestre Reyes, the former Border Patrol chief elected to Congress last year.

Another Latino freshman who has signed up with Torres is Orange County's Loretta Sanchez, who is concerned about Mitsubishi's decision to close an electronic components plant in Santa Ana and move 450 jobs to Mexico.

Neither Sanchez nor Reyes was around to take the risk that Torres did in voting for NAFTA in 1993. That these rising Democratic stars in Congress are willing to break with the White House over NAFTA now is another warning sign that Clinton's free-trade policies may be in trouble.

"I still believe free trade is the future of the U.S. economy, but I may have been wrong in supporting NAFTA," Torres says. "I won't make the same mistake twice, and plan to vote against fast track unless I get assurances that a lot more will be done to mitigate NAFTA's impact on American workers."

It is a rare politician who will publicly admit a mistake. Maybe even a courageous one. One wonders if Clinton will have the guts it takes to revisit NAFTA and fix what apparently needs fixing.

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