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NAFTA [North American Free Trade Agreement] [Folder 2] [2]

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FACSIMILE COVER SHEET

UNITED STATES TRADE REPRESENTATIVE

OFFICE OF CONGRESSIONAL AFFAIRS

EXECUTIVE OFFICE OF THE PRESIDENT
600 17TH STREET, N.W.
WASHINGTON, D.C. 20506

DATE:

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PHOTOCOPY
PRESERVATION

NAME	AGENCY	PHONE #	FAX#
[illegible]			

FROM: Nancy Lea[illegible]
Assistant U.S. [illegible] Representative

TEL: [illegible]) 395-[illegible]

FAX: [illegible] 395-4656

COMMENTS:

NAFTA PHONE CALLS

Based upon discussions with the NEC, a decision was made to have Cabinet Secretaries contact all uncommitted Members in the House of Representatives to discuss NAFTA.

Those Members assigned to your principal are listed on an accompanying sheet. General talking points are also provided. Please look over the names to determine whether there are any problems with these selections. If there are problems, please call Joe Tarver in Congressional Affairs at USTR to discuss. He can be reached at 395-6951.

After each call is completed, please make sure that you or someone you designate receives a briefing. Call in this information to Joe Tarver at USTR.

Please make every effort to see that these calls are placed as soon as possible. Thank you for your assistance.

NAFTA CALL SHEET

Laura Tyson

Name	Number	Known Concerns
Camp, Dave (R-MI)	2 -3561	Potatoes Sugar Appliances Flat glass Auto industry Labor side agmt.
McHugh, John (R-NY)	225-4611	Worker displacement Dairy General agriculture impact
McCloskey, Frank (D-IN)	225-4636	Worker displacement
Hobson, David (R-OH)	225-4324	Broomcorn brooms Flat glass Small bus. impact
LaRocca, Larry (D-ID)	225-6611	Sugar
Walker, Bob (R-PA)	225-2411	??
Coyne, Robert (D-PA)	225-2301	Flat glass Labor side agmt. Worker displacement
Weldon, Curt (R-PA)	225-2011	Labor side agmt.
Castle, Mike (R-DE)	225-4165	Side agmts. in general Impact on DE economy General agriculture concerns
Buyer, Steve (R-IN)	225-5037	Side agmts. in general Worker displacement Mex. low-wage issue
Mann, David (D-OH)	225-2216	Side agmts. in general Worker displacement

...king Points

I am calling today to discuss NAFTA.

o I know that NAFTA is a difficult and, increasingly, an emotional issue.

o There is a tremendous amount of misinformation floating around about NAFTA -- and this is not surprising. Trade agreements are always complex and thus are easy targets for criticism.

o NAFTA is, plain and simple, good for the country. For instance:

- Since Mexico began opening its market in 1986, U.S. exports have risen by 228%, reaching $40.6 billion in 1992.

- NAFTA will level the playing field between the U.S. and Mexico. Despite recent Mexican market openings, Mexico's tariff barriers to U.S. goods are still 2.5 times greater than our own. NAFTA eliminates all these barriers.

- Since 1986, jobs tied to exports to Mexico rose from 274,000 to an estimated 700,000.

- In two years, NAFTA will create an estimated 200,000 additional high-wage jobs.

o Passage of NAFTA is a high priority of this Administration. It brings us a step closer to the President's goal of creating a high wage, high growth economy.

o The President would never ask anyone to vote for something that is not in the national interest. He would never ask anyone to vote for something that means a loss of American jobs. NAFTA does not do this.

o If you do not have a good picture of how NAFTA will benefit you state, ask your staff for the briefing book sent to you from the White House. It provides that information. It will help you make the case for NAFTA with your constituents.

o If you are receiving requests for meetings to discuss the allegations against NAFTA in Ross Perot's book, the White House has also prepared a very detailed rebuttal. Ask your staff to get it for you. I think you will find it to be tremendously helpful in setting the record straight on NAFTA.

o I hope you will be with the President. We want your support.

Laura —

The final of our Perot book.

Thom

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

93-56

FOR IMMEDIATE RELEASE
THURSDAY, SEPTEMBER 2, 1993

CONTACT: ANNE LUZZATTO
DIANNE WILDMAN
DAVID KURAKANE
(202) 395-3230

Statement of Ambassador Mickey Kantor
United States Trade Representative

NAFTA AND THE PEROT-CHOATE BOOK

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

The foremost commitment of President Clinton and his Administration is to build the strongest, most competitive economy in the world, to create new and better job opportunities for United States workers and for their children who will be entering the work force.

All our initiatives work together in pursuit of that overriding objective. We started with the President's economic program: making our nation more competitive and productive by bringing down the deficit and increasing investment. We are following with the drive to reform the health care system and the effort to re-invent government. We recognize that trade agreements are no substitute for dealing with fundamental domestic problems that have weakened our economy and our country for too long.

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

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

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

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

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

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

PEROT CHOOSES THE STATUS QUO OVER CHANGE

In opposing the agreement, Perot is opting for the status quo which operates to the disadvantage of U.S. workers and companies and the environment. Despite Mexican progress in voluntarily opening markets, Mexican tariffs remain, on the average, 2 1/2 times higher than ours. Numerous Mexican non-tariff barriers, such as performance and trade balancing requirements, force U.S. companies to move to Mexico in order to sell there. Maquiladora industries distort U.S. business decisions to the disadvantage of U.S. workers. The lack of intellectual property protection hampers our motion picture and recording industries, as well as computer software and others. Meanwhile, Mexico enjoys virtually unlimited access to the U.S. market.

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

PEROT CHOOSES PROTECTIONISM AND DEFEATISM OVER EXPANDED MARKETS AND EXPANDED GROWTH

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

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

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

PEROT THINKS AMERICAN WORKERS CAN'T COMPETE

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

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

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

PEROT RELIES ON INACCURACIES, ERRORS, AND MISLEADING STATEMENTS

Beyond the major misconceptions in the Perot/Choate book, it is riddled with innacuracies, errors, and misleading statements-- we have identified 193. Among the most serious:

o Perot states that 5.9 million jobs are "at risk" because of NAFTA. The methodology for reaching the 5.9 million figure is fundamentally flawed. The authors simply identify, from Census data, industries where wages account for more than 20 percent of the value of output. Under the Perot/Choate scenario, the "at risk" jobs include high wage, high skill jobs in our most competitive sectors, including aerospace, medical equipment, and sonar equipment--sectors where we are in no danger of losing jobs and in fact will increase employment with NAFTA. The authors also describe as "at risk" jobs which face no competition from Mexico such as bakers and wood-pulp millers.

o The book quotes the previous Secretary of Labor stating that NAFTA will cost 150,000 U.S. jobs. The book ignores the fact that the same Secretary of Labor, during the same hearing and citing the same study, went on to say the NAFTA will create 325,000 jobs--a net increase of 175,000.

o Perot states that NAFTA will lower U.S. health and environmental standards. In fact, nothing in the NAFTA could even be construed as lowering any federal, state or local standard. NAFTA specifically insures the ability of each country, including its state and local governments, to maintain as stringent environmental and health standards as it considers appropriate. Moreover, the supplemental agreements include specific commitments from the three nations to harmonize standards upwards--not downwards.

o Perot claims that the U.S. auto industry is on the "endangered" list. In fact, an independent study done by the Congressional Budget Office shows that U.S. auto companies and workers will both gain under the NAFTA, thanks to the dismantling of the Mexican performance, trade balancing, and local content requirements, as well as the elimination of Mexico's current 20% tariff on auto imports. Indeed, an Office of Technology Assessment study found that the total cost of delivering a car to the U.S. market is higher for a plant in Mexico than for one located in Michigan--despite the wage differential.

o The book has it 180 degrees wrong on the subject of NAFTA and Mexico's Maquiladora program. Contrary to the Perot book claims, NAFTA does not <u>extend</u> the distortions of the Maquiladora program, it eliminates them. If we do not pass the NAFTA, all of the things the book claims not to like about the Maquiladora program will simply continue, instead of being phased out.

- The book plays fast and loose with statistics to paint a false impression that Mexican wages are declining, when if fact those wages are rising. The book says that real Mexican wages have dropped by 50 percent during the last ten years. The truth is that Mexican wages rose during the oil boom of the 1970s then declined from 1980 to 1987 because of the debt crisis and runaway inflation. Since 1987, however, when Mexico began opening its markets and reforming its economy real wages have risen by 27 percent and most recently, Mexico's President announced that Mexico would require the minimum wage to rise with productivity increases.
- The book creates a thrilling-but fictional-scenario about the Administration sneaking an extension of fast track authority for NAFTA through the Congress this year. In fact, fast track authority for NAFTA was obtained after a spirited and extended public debate in 1991, and no extension was needed for NAFTA. This years fast track extension pertained only to the Uruguay Round of the GATT.

- The book claims that NAFTA jeopardizes the safety of American travelers by opening U.S. roads to trucks and drivers who do not meet U.S. minimum safety standards. In fact, no provision of NAFTA exempts Mexican and Canadian vehicles or drivers from U.S. environmental or safety standards. This means that Mexican trucks must comply with all U.S. regulations on length, weight, and disclosure for transport of hazardous materials. Each country retains the right to enforce standards that are more stringent than standards in effect in other countries.

- The book states that the NAFTA deal on agriculture is a terrible deal. In fact, U.S. agriculture and the American farmer are big winners under the NAFTA. Conservative estimates show an expected increase of between $2.0 to $2.5 billion in U.S. agriculture annually by the end of the NAFTA transition period. Those exports alone will create over 50,000 new farm related jobs in the United States and boost farm incomes.

- The book claims that NAFTA has the potential to increase immigration, not decrease it. In fact, nothing could be more important to reducing immigration to the U.S. from Mexico that increasing economic opportunity in Mexico. Even the Economic Policy Institute, which opposes NAFTA and is a major source for the Perot/Choate book, claims NAFTA will reduce immigration by more than 1.4 million person in the next six years.

A more detailed compendium of misstatements is attached.

CORRECTING THE RECORD

RESPONSE OF

THE OFFICE OF

THE U.S. TRADE REPRESENTATIVE

TO THE PEROT/CHOATE NAFTA BOOK

September 2, 1993

CORRECTING THE RECORD: RESPONSE OF THE U.S. TRADE REPRESENTATIVE'S OFFICE TO THE PEROT/CHOATE NAFTA BOOK

Page	Book says	Statement
3	"...NAFTA jeopardizes the safety of American travelers...by opening U.S. roads to trucks and drivers who do not meet U.S. minimum safety standards." "...Under NAFTA, Americans can expect to see overloaded Mexican trucks that will crush our highways."	These statements are dead wrong. No provision of the NAFTA exempts Mexican or Canadian vehicles or drivers from U.S. environmental or safety standards. The United States made it clear from the beginning of the NAFTA negotiations that Mexican and Canadian trucks will have to comply with all applicable safety and environmental standards when they are operating in our country and that these standards will be enforced with the same stringency applicable to U.S. operators. This is true for regulations regarding trucks (such as size and weight, brakes and out of service criteria), drivers (including language, and hours of service) and the environment (fuel and emissions standards). Mexican drivers are tested for licensing according to a standard fully comparable to that used in the United States. Mexican drivers and equipment must comply with U.S. regulations today, and they will have to comply subsequent to implementation of the NAFTA.
3	"NAFTA gives Mexican investors a distinct competitive advantage in the U.S.-Mexican trucking industry in that it 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."	This book misses the fundamental point. Mexico's trucking market is now closed to the United States. NAFTA will open that market by phasing out Mexico's restrictions. This will eliminate rather than create the competitive advantage for Mexican trucks that the authors describe. NAFTA is the solution; the status quo is the problem.

Page	Book says	Statement
4, 5	"Despite the fact that Federal and state agencies are supposed to enforce U.S. trucking regulations, they are so understaffed that they will not be able to adequately enforce the increased traffic volumes associated with NAFTA."	We do want to improve enforcement of U.S. trucking regulation everywhere, but this is not a NAFTA problem. Trucking revenues associated with Mexican trade in 1991 were about $4 billion or about 1.5 percent of the U.S. total,[1] and increased truck-access will not begin until December 1995. That is ample time to assure effective enforcement, as is our right under NAFTA.
6, 7	"Under NAFTA, smuggling drugs into the United States will become much easier."	Drug-smuggling is a problem now. Rejecting NAFTA won't help us solve that problem in any way. In fact, the opposite is true. Closer economic relations will help us work with Mexico to solve problems like illegal drugs. <u>Nothing</u> in NAFTA limits our ability to stop illegal drugs.
9	"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 U.S. jobs."	Virtually the entire U.S. services industry disagrees with the Perot book's conclusion about services. Why? Because under NAFTA we, for the first time, open Mexico's market for our larger, more efficient services companies from banking to insurance companies to telecommunications. NAFTA is the solution, not the problem. Mexico currently has many more restrictions in services than we do. NAFTA phases out most of those restrictions. Rejecting NAFTA will only enable Mexico to keep those restrictions.

Page	Book says	Statement
10	"(T)he U.S. team had agreed to let Canada continue to require U.S. automakers who sell in Canada to manufacture most of their vehicles there."	NAFTA does not create this problem; NAFTA helps solve the problem. Since 1965, Canada has offered manufacturers the benefit of duty-free treatment if they made enough cars in Canada. Under NAFTA (as with the U.S.-Canadian Free Trade Agreement), all duties between the United States and Canada will be gone in four years, eliminating the need for U.S. companies to meet performance requirements in Canada in order receive duty-free treatment on products imported from the United States.

Page	Book says	Statement
10-11	When the Perot book states that "U.S. negotiators stuck to their strategy and gave away more U.S. jobs," its reference is to the auto sector. The book goes on to state that "NAFTA will allow U.S. automakers to replace American workers with 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."	This characterization totally misrepresents the agreement and its effect (as described in entries further on). It is inconsistent with a large body of economic literature suggesting that U.S. auto workers will benefit, not be harmed, by NAFTA. Another quotation from the Congressional Budget Office's study of NAFTA is both balanced and broadly representative of what sector analysis has shown concerning NAFTA and the U.S. auto sector: "in the short and medium term, U.S. firms and autoworkers should both benefit. The current Mexican trade surpluses in motor vehicles and motor vehicle parts are largely a result of export incentives and the required minimum trade balance imposed by the Mexican government, which NAFTA would phase out. The low U.S. tariff on automotive imports mean that eliminating these tariffs would not significantly increase the competitiveness of Mexican products in the U.S. market, whereas eliminating the much more substantial Mexican barriers would markedly improve the competitiveness of U.S. products in Mexico. Further, most Mexican assembly plants are not very efficient..."

Page	Book says	Statement
10, 31-33	"The United States agreed to immediately drop its tariffs on automobiles imported from Mexico . . . 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."	This statement is misleading and completely fails to explain why NAFTA will increase U.S. auto production. They fail to state that the current U.S. tariff on automobiles is only 2.5 percent; In contrast, Mexico's tariff is 20 percent, or eight times larger than the U.S. duty. Under the NAFTA, this tariff is cut in half immediately to ten percent and then eliminated over the next nine years. The NAFTA also phases out Mexico's current laws that require U.S. auto companies to manufacture in Mexico in order to sell there. Without NAFTA, Mexico could maintain its high duties and non-tariff barriers. The fact is that the United States is already open to Mexican-produced automobiles, whereas a variety of factors leave the Mexican market closed to U.S. autos. NAFTA will open the Mexican market. That is why the Big Three auto producers estimate that NAFTA will increase annual U.S. autos exports from their current level of only 1,000 vehicles to over 60,000 vehicles in the first year of NAFTA.

Page	Book says	Statement
10	"[T]he NAFTA deal on agricultural trade is just as bad."	U.S. agriculture and the American farmer are *big* winners under the NAFTA. *Conservative* estimates show an expected increase of $2.0 billion to $2.5 billion in U.S. agricultural exports annually by the end of the transition period because of the NAFTA.[2] Importantly, NAFTA eliminates Mexico's *import licensing* system which has been a major barrier to U.S. agricultural exports to Mexico. Tariffs will also be eliminated, giving the United States preferential access to the rapidly growing Mexican market.
10	". . . only Mexicans can own land that is used for agricultural production in Mexico."	Right now, Mexico restricts foreign ownership of Mexican farmland (though not to the degree suggested by the book). NAFTA does not change those restrictions, just as our states can maintain their restrictions. But the book misses the point. Our major objective is to boost sales of American farm products to Mexico, not American ownership of Mexican farms.

Page	Book says	Statement
10	". . . 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. "	The book tells a very misleading story on wheat. We would like Canada to cease its wheat subsidies, but neither we nor Canada were willing to give up this right. NAFTA does not change that situation, nor would rejecting NAFTA help. The agreement does not provide for this. Accordingly, we maintain our right to subsidize our wheat exports to enable to compete with subsidized Canadian sales. More significantly, what the NAFTA does do is open opportunities to U.S. wheat farmers to sell in Mexico. U.S. wheat exports to Mexico will not be subject to Mexico's import licensing requirements, which are by far the greatest obstacle to trade in Mexico. Instead, the import license will be replaced by a tariff, which will be reduced to zero over a ten year period. As a result, U.S. wheat exports to Mexico are expected to rise about 20% because of the NAFTA.[3]

Page	Book says	Statement
10	"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.*"	U.S. negotiators recognized the sensitivity of the citrus sector, and the NAFTA contains unique transitional arrangements for frozen concentrated orange juice (FCOJ) to provide the maximum transition period for U.S. producers. Currently, Mexico's duty on frozen concentrated citrus is 20 percent ad valorem while the U.S. duty is 9.25 cents per liter (equal to about 30% on an ad valorem basis.) *Both* the U.S. *and* Mexican duties are reduced over a fifteen year period. A portion of Mexico's FCOJ exports are given immediate access at 50 percent of the existing tariff rate. However, the quantity which benefits from this duty reduction is capped for 13 years. In recent years (1990-91), the United States imported one-quarter of its FCOJ consumption from Brazil. It is, therefore, likely that increased Mexican imports will displace sales of Brazilian orange juice, not sales of U.S. orange juice. Although U.S.citrus producers will face increased competition, this *fifteen year transition period* will help the citrus industry to adjust.

Page	Book says	Statement
10	"NAFTA also exempts Mexico from the U.S. Meat Import Act, which limits the amount of imported beef that can enter U.S. markets. At the same time, the agreement will give Mexico unrestricted access to U.S. and Canadian feed grains, which it needs to develop a large scale cattle-feeding and beef-processing industry. The result will be a massive shift of the U.S. beef industry from the United States to Mexico as investors rush to take advantage of cheap wages, low safety standards, and lax sanitation practices."	This statement completely misrepresents the benefits of NAFTA for U.S. beef producers. The American beef industry is one of the biggest winners of all under the NAFTA. Mexican tariffs of 15 percent on live cattle, 20 percent on fresh beef, and 25 percent on frozen beef will immediately be eliminated under the NAFTA. As a result, U.S. beef exports to Mexico are expected to double under the NAFTA. That is why U.S. cattlemen are among the strongest supporters of this Agreement. The scenario imagined by Mr. Perot is simply not realistic. Mexico imports millions of tons of grain and oilseeds for feed purposes, not to mention beef, pork, and poultry, from the U.S. Neither its policies nor its resources are appropriate for a rational, efficient large-scale, livestock feeding sector. While the U.S. Meat Import Act does permit us to restrict beef imports from Mexico and other supplying countries, Mexico has not been subject to any limitations for more than a decade because Mexico has posed no threat. NAFTA is no danger to U.S. beef producers. The fact is, the U.S. cattle and beef industry is too large, too competitive and too efficient to be threatened by growth in Mexico which is likely to be limited.

Page	Book says	Statement
12	"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 that five percent of the size of the U.S. market— and Mexican consumers are poor."	The Perot books dismissal of Mexico as an important market shows a lack of understanding of international trade. While Mexico is currently a small economy, it is a big market for U.S. exports. It is our third largest --and fastest growing--major export market, after Canada and Japan. Mexican per capita imports from the U.S. total $450 per year, more than that of Japan or Europe, even though Mexico's per capita income is far lower.[4] Moreover, Mexico is growing, and in the future will represent an even bigger opportunity. Those who dismiss Mexico as a market represent the same mentality that 30 years ago said, "Japan isn't an important market." We should learn from history and secure an open market in Mexico. The book is also wrong in minimizing the importance of Mexico's current trade barriers. The fact is that Mexican tariffs are 2.5 times as high as U.S. tariffs, and Mexico also relies on non-tariff barriers to restrict U.S. access to their markets. NAFTA will level the playing field.

Page	Book says	Statement
14	"Mexico reduced the wages of its workers to attract foreign-owned factories."	This statement is false and misleading. In the mid 1980s Mexico froze wages to fight the high levels of inflation and recession the country was experiencing. Moreover, real wages for Mexican workers fell as the Mexican government moved to balance the federal deficit and correct its trade imbalance. Since 1989, Mexican wages have been rising. Indeed, Mexico made many of the tough decisions to reduce its federal deficit as Ross Perot calls on the U.S. to do.
14	"President Salinas asked President Bush for a Free Trade Agreement to open investment in the same manner as the Maquiladora program."	This statement is dead wrong. A major benefit of the NAFTA for the United States is that it <u>reverses</u> the Maquiladora program. That program gave products assembled in Mexico preferential access to our market while <u>maintaining</u> all of Mexico's trade and investment barriers. In effect, the Maquiladora program established an export platform in Mexico and encouraged U.S. companies to move there. NAFTA produces the exact opposite effect by opening entirely Mexico's market and eliminating the distortions created under the Maquiladora program.

Page	Book says	Statement
14-16	"The most bitter Congressional fight of 1991 was over an obscure piece little piece of legislation called the "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 term "Fast Track" refers to a process whereby Congress turns over to the President its authority to regulate foreign commerce..."	These mischaractarizations are an attempt to discredit the major mechanism by which Congress and the President share the authority for concluding and implementing trade agreements. Fast Track has existed since 1974. Fast Track procedures were used to implement the results of the Tokyo Round, in 1979 when Jimmy Carter was President, and the Free Trade Agreements with Israel in 1985 and Canada in 1988, with Republican presidents in the White House. All of those agreements were approved by overwhelming margins in Congress, in part because the fast track mechanism preserves Congress' role during the negotiation, approval and implementation of trade agreements through extensive notification and consultation requirements. Throughout the negotiating process, there are extensive consultations with members and committees of Congress. After the agreement is reached, Congress and the Administration work in close consultation to formulate
Pages 14-16 Continued		implementing legislation, with all committees of jurisdiction involved. They are hardly "secretive" and they clearly do not exclude Congress or the public. The 1991 extension of Fast Track was debated for seven weeks and passed by both Houses of Congress in an open, democratic process. This authority merely gives the President the same powers all of his counterparts around the world have. Without it, the United States could not open markets around the world through multilateral and bilateral agreements.

Page	Book says	Statement
14-16	"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... 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 abbreviated debate on the budget bill. Days late, House members learned that while they were passing the budget bill they were also reauthorizing "Fast Track" status for NAFTA."	This passage of the book is pure fiction. In fact, because of the 1991 legislation, Fast Track procedures were available for trade agreements entered into by the President prior to May 31, 1993. President Bush signed NAFTA on December 17, 1992; consequently, the fast track procedures were available for NAFTA; no new legislation was needed. President Clinton sought additional fast track authority only for his effort to complete the Uruguay Round of multilateral trade negotiations. This fast track legislation was not a part of the reconciliation debate; it did not sneak through in the dead of night; it was a separate piece of legislation dealing only with the fast track. It was debated by the House on June 22, and passed by an overwhelming vote of 295-126. It was debated by the Senate on June 30 and passed, as the authors note, by the vote of 76-16. After it passed both Houses separately, it was later included in the Omnibus Reconciliation bill.

Page	Book says	Statement
14-16	"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...[without] filibuster."	There is a requirement to vote within 90 legislative days after the implementing legislation is submitted to Congress. "Legislative days" refers to days that one or the other House of Congress is in session, and 90 legislative days is far longer than calendar days; it could be a period of many months. Twenty hours of debate is far longer than the period of floor debate provided for most major legislation. Moreover, while debate in the full House and Senate is limited, there is extensive debate and hearing in committees on the implementing bill, which is painstakingly fashioned over a period of months by all the committees of jurisdiction. The overwhelming votes on past fast track trade agreements confirms the degree to which Congress and the President have used the implementation process to develop wide-ranging consensus.

Page	Book says	Statement
17	"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. Department of Commerce'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."	Misleading. These statements are based on a paper that was repudiated shortly after it was produced by both the author and by the Commerce Department's Chief Counsel for International Commerce. The retraction stated that the paper quoted in Perot's book "should not be relied on as a source of information on the NAFTA because it is replete with factual and legal errors." This memo was published in <u>Inside U.S. Trade</u> on February 26, 1993 (p. 16). At the time the NAFTA negotiations commenced, virtually every member of the Department of Commerce's Office of Mexico had some knowledge of Spanish, and several members were fluent speakers of Spanish whose language expertise was often relied upon by their respective negotiating groups. All necessary documents were translated for the benefit of negotiators. The author of the statement, however, was not one of the negotiators.

Page	Book says	Statement
18	"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."	Totally untrue. The U.S. Trade Representative consulted with its 39 advisory committees and other members of the private sector to the fullest extent. During the NAFTA negotiating process, NAFTA negotiators held over 350 meetings with private sector advisory committees, and an additional 350 briefings for trade associations and private sector organizations throughout the country. Each of the advisory committees later wrote reports on the final agreement reflecting their extensive knowledge of the agreement.
18	"The Bush White House....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."	This statement is misleading. Throughout the entire negotiating process, the Labor Advisory Committee (LAC), as well as all other advisory committees, were allowed to view all portions of the NAFTA text as they were negotiated. Upon completion of the agreement, all advisory committees, including those representing labor, industry, agriculture, environmental groups and other private sector interests, were given all completed portions of the final version of the text. In fact, the first available sections of the text were given to the advisory committees on August 20, and by August 27, all sections of the text had been distributed. September 8, 1992 was the date the entire combined text was distributed to the committees in its final form.

Page	Book says	Statement
18	"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 the 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 Office of~~ the United States Trade Representative has 39 advisory committees, which are composed of over 1000 representatives of not only U.S. industry, but also U.S. agriculture, labor and environmental groups as well as a committee of state and local government officials. Furthermore, the Labor Advisory Committee (LAC), which consists of approximately 100 representatives of a broad range of organized labor throughout the United States, had more interaction with NAFTA negotiators than most other individual committees. During the NAFTA negotiating process, representatives of the LAC met with negotiators 42 times to discuss the details of the agreement.

Page	Book says	Statement
18	"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 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."	Here, Mr. Perot incorrectly claims that Congress has no say in the structure of the advisory committees. However, as Mr. Perot, himself, states in the paragraph preceding this, it was Congress that drafted the legislation creating the advisory committee system in its current form. In accordance with this legislation, the President is required to select advisory committee members. Also, with regard to public disclosure, the statutes governing the ACTPN and other committees state that information discussed in meetings is to remain confidential to "the extent to which public disclosure of such information can reasonably be expected to prejudice the development of trade policy, priorities, or the United States negotiating objectives." Since the information discussed in advisory committee meetings during the NAFTA negotiations revolved around U.S. negotiating objectives, public disclosure of this information would have undermined the U.S. negotiating position. Mr. Perot, of all people, should understand how important it is not to give our trading partners access to sensitive information about our negotiating position. Congress certainly does, and has insisted that we maintain such confidentiality.

Page	Book says	Statement
20	"After the trade pact was completed, one of the U.S. negotiators explained to an audience of federal regulators that although changes in most domestic regulations normally require notice and public comment, secret trade negotiations (such as NAFTA) could alter these same regulations without the 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'."	False. This is another quote from the same paper later repudiated by its author. As noted in the Department of Commerce's retraction: "Contrary to the assertion in the [paper], the NAFTA is not a treaty that is self-executing and it will not automatically supersede any Federal laws or regulations. Rather, the NAFTA is an executive agreement that will supersede existing laws only to the extent provided by the Congress in implementing legislation." Congress has the final say as to whether to change our laws. NAFTA doesn't change that. Extensive consultations with every regulatory agency ensured that they were informed of NAFTA developments, and regulators from many agencies, including the Department of Agriculture, the Food and Drug Administration, the Environmental Protection Agency, the Federal Communications Commission, and the Department of Energy were integral members of the NAFTA negotiating team.

Page	Book says	Statement
20-22	Perot makes a variety of claims regarding the treatment of the broom industry.	The U.S. broom industry was accorded one of the longest transition periods of any industry under the NAFTA -- a longer adjustment period than given any Mexican manufacturing industry. Contrary to the allegations of Mr. Perot, it is not true that the U.S. industry was promised an even longer period; it is not true that U.S. negotiators sought to encourage the broom industry or any other to move production to Mexico; and it is not true that the Mexican industry was allowed to participate in the negotiations with the United States and Mexico. What is true is that broomcorn brooms have been one of the most highly protected products in the United States (although the United States, by Act of Congress, already gives duty free treatment to imports of Caribbean and Andean brooms.) In extensive consultations with Mr. Libman and other U.S. broom producers during the course of negotiations, the industry made clear its major goal was to maintain the U.S. tariff at half its current rate for as long as possible. The agreed-upon 12-year phase out accomplishes this. Mexico is permitted to ship 100,000 dozen brooms without duties (which Mr. Libman approved, on behalf of the U.S. broom industry). For all exports above this level, duties reduced are by 30 percent in year one, an additional 20 percent in year seven, with no further reductions until year 12. Thus, the duty will remain at or above 50 percent of its current level for 12 years. Under the 15 year phase-out provided to other sensitive industrial products, the tariff would have fallen below this mark in 7 years.

Page	Book says	Statement
23	"When the agreement was initialled 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."	All these statements are false. The NAFTA was initialled October 7, 1992, not October 18, 1992. The text of the tariff reduction schedules had previously been released on August 27, and the full text of the agreement had been provided to the public on September 18. In the period from August 12 on, the text was complete, but subject to technical corrections in a process of legal review. The texts were at all times available to members of Congress, and from September 18 were available to the public as the text went through technical verification.
23	"When the Agreement was officially signed on December 18, 1992, no additional information was provided to the American people. The complete text of NAFTA was finally released to the American people on the afternoon of January 20, 1993."	The agreement was signed on December 17 (not 18), 1992, and the completed text was publicly available at that time. No new text was issued January 20, 1993, which was inauguration day in the United States.
23	"Only a handful of people...know what is actually in the agreement.."	NAFTA is the most broadly received trade agreement in history. It has been publicly available for a year, and has been the subject of numerous economic studies (almost all of which are positive). This statement is irresponsible in implying that NAFTA has somehow been kept a secret.

Page	Book says	Statement
28-29	"NAFTA will accelerate the loss of manufacturing jobs in the United States."	False. U.S. exports of manufactures to Mexico have grown rapidly since Mexico lowered its trade barriers after 1986, and are projected to grow more under NAFTA. This has actually added more than 400,000 new jobs to the American economy.[5] The Clinton Administration agrees that "manufacturing matters" and is concerned about the structural shifts in manufacturing employment during the last decade. However, NAFTA is not part of the problem. It is, instead, part of the solution. NAFTA will create the largest market in the world. By increasing our export opportunities, NAFTA will enable us to take advantage of U.S. economic strengths, which include high-wage, high-tech manufacturing, and to increase further the number of jobs associated with exports to Mexico.

Page	Book says	Statement
31	"Mexico provides automakers an easy escape hatch from the high cost of operating in the United States, and they are taking advantage of it."	False. NAFTA immediately reduces and eliminates Mexican local content and local production requirements that have encouraged U.S. automobile and parts manufacturers to move production, and jobs, to Mexico. With NAFTA, the United States will be able to export automobiles and parts to Mexico, the fastest growing market for these products in North America. NAFTA reduces and eliminates Mexican trade balancing rules that require the export of automotive products produced in Mexico to the United States in order to import parts needed for assembly to serve the Mexican market. In other words, NAFTA phases out current Mexican measures which force investment in Mexico and exports from Mexico in order for a company to sell in Mexico.
33	"High-wage, skilled electrical workers are also on the NAFTA-endangered U.S. jobs list."	NAFTA will benefit, not hurt, U.S. electrical workers. The demand for electrical equipment in both countries is skyrocketing, as technological change increases demand. While U.S. imports of Mexican electrical equipment more than doubled, so have exports of American products to Mexico, even though Mexico's average tariff barrier on these products is six times as high as U.S. tariffs on Mexican products. Under NAFTA, the removal of the average 14.2 percent Mexican tariff on imports of U.S. electrical equipment is bound to help U.S. exports much more than the removal of the U.S. 2.3 percent tariff on Mexican products will help Mexican exports.

Page	Book says	Statement
33	"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. job list."	Most of the industries on Perot's list have already benefitted, not lost, from increased trade with Mexico despite existing Mexican trade barriers, and will further benefit under NAFTA. Since 1986, when Mexico began to reduce its barriers to imports from the United States, our exports have grown faster than imports for metalworking machinery, metal products, clay products, office equipment, and aircraft equipment —even though remaining Mexican tariffs are generally several times higher than the corresponding U.S. tariffs in each of these categories. These remaining Mexican tariffs will be eliminated under NAFTA.
34	"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."	False. The study cited by Perot-Choate did not actually show that jobs had moved from Illinois to Mexico. It examined plant closings in Illinois and broadly <u>assumed</u> that, if the company was a multinational, jobs must be shifting abroad. As the author of the University of Illinois report states on pages 4 and 5 "...we did not attempt in our analysis to specify the <u>causation</u> between plant closings/layoffs and transnational investment." This study has been criticized as flawed by other academic experts and by the Illinois state government. Perhaps more important is the fact that Illinois has 28,600 jobs dependent on exports to Mexico.[6] Illinois has increased exports to Mexico by $1 billion since 1986, thus <u>adding</u> an estimated 19,000 new jobs. Illinois has gained far more than it has lost from trade with Mexico.

Page	Book says	Statement
34-37	Perot and Choate claim that various states will be particularly harmed by the liberalization of trade with Mexico. They mention, in particular, the mid-Western auto producing states and the key textile and apparel states, including New York, New Jersey, California, Texas, Tennessee, the Carolinas, and Georgia. They also point out (p. 35) that while South Carolina experienced a net loss of 58,000 manufacturing jobs between 1978 and 1990, it had a net gain of 72,000 service jobs that paid only half as much wages. They further single out (pp. 36-37) young people, low-skilled workers, racial and ethnic minorities, and women as particularly threatened by the NAFTA.	USTR analysis of information gathered by the Department of Commerce shows that from 1987 to 1992, each of the states singled out by Perot experienced a rise in employment directly related to increased exports to Mexico. As Mexican tariffs are eliminated and other barriers to U.S. imports are reduced, we expect that all of the states will experience additional gains in jobs. The discussion of South Carolina has nothing to do with NAFTA, but relates to structural changes in the U.S. over the past decade that have hurt manufacturing employment. NAFTA, on the other hand, will lead to increased manufacturing exports and increases in high-wage, export-related jobs in the U.S. Jobs supported by U.S. exports to Mexico pay, on average, 12 percent more than the U.S. national average.
41	"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."	Once again, the book misses the point completely. The authors focus on how a trade relationship can have problems, but ignore the fact that NAFTA will remedy and prevent problems. Rejecting NAFTA will leave the problems and allow them to worsen. Perot and Choate also suggest that a job gained in another country implies that a job will be lost in the U.S. In fact, growth in those countries, and elsewhere in the world, has led to increased growth and employment in the U.S. Experience indicates that increased trade benefits all participating countries. A richer Mexico will be a better customer for our products and services.

Page	Book says	Statement
45, 63	"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." "...real wages in Mexico have dropped by more than 50 percent over the past decade."	False. As reported in the Wall Street Journal (8/27/93), Thea Lee, an economist at the Economic Policy Institute, says, "That's not correct." Mexico has gone through a decade of major economic crisis, inflation, deep recession, and gradual recovery. Due primarily to its debt crisis, Mexico experienced a substantial decline in real wages (but less than 50 percent) from 1983-88, Ms. Lee is reported as stating. In the past five years, however, as Mexico has opened and liberalized its economy, real wages have grown rapidly —much more rapidly than in the U.S.
31, 44-45, 69	A recurring argument in the book is that low wages will lead American companies to relocate to Mexico. Page 69: "The arithmetic of relocation is awesome." Page 31: "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. . . ." Page 44 again cites very low hourly wages in Mexican auto factories and says that quality is comparable to that in the U.S. Page 45: "Cheap labor can offset all of the areas where Mexico is still deficient." Page 69: ". . . labor costs are the principal cost of production for most U.S. manufacturers."	The argument is simplistic and greatly overstates the advantages of low labor costs and underestimates the importance of other factors. For example, a study of NAFTA by the Office of Technology Assessment (OTA) analyzes the costs of automobiles in Mexico and the U.S. Mexican labor costs are certainly lower. **However, the study finds that the total cost of delivering a car to the U.S. market is higher for a plant in Mexico than for one located in the United States ($9,180 compared to $8,770).** U.S. auto companies and workers will both gain under the NAFTA.[7]

Page	Book says	Statement
31, 48-50	The book argues that Mexico ". . . is a large and growing manufacturing platform for companies that want cheap labor and easy access to the U.S. market." (p. 50) The study cites as a particular example of this trend the Maquiladora program. "Most of these U.S. and foreign companies already in Mexico are operating under Mexico's Maquiladora Program. . . . Not surprisingly, the finished and semi-finished goods made in these factories are exported primarily to the United States. . . . 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. . . . Production in such Mexican factories will expand 400 percent by the end of the 1990s."	Under NAFTA, the Maquiladora program will effectively end, since all imported inputs from the U.S. will enter Mexico without duty or conditions. Under NAFTA, there will be no Maquiladora-type restrictions requiring goods produced by such factories to be sold back in the U.S., and Maquiladoras can freely sell into the Mexican market. Moreover, in the last seven years, most U.S. exports have not gone to the Maquiladoras only to be re-exported to the United States, as the book claims. Indeed, an estimated 83% of U.S. export growth since 1987 has been for Mexican consumption and not for re-export.[8]
48	"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.'"	The U.S. levies tariffs (import fees) on the value added to goods produced in Maquiladoras using components produced in the U.S. The U.S. does not charge tariffs on the value of the components produced in the U.S. There is no U.S. subsidy to Maquiladoras. This encourages the use of U.S. components over European or Japanese. But the most important point, as state earlier, is that the Maquiladora program will be phased out under NAFTA.

Page	Book says	Statement
53-54	The study discusses companies "at risk" for relocation to Mexico. It draws on a study by Pat Choate that argues that those at risk are: "companies with moderate to good growth, low to mid-technology operations, and a labor component of 20 percent or more of the costs of goods sold." It then states that: "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 Choate study is not an economic analysis of the effects of NAFTA. It simply identifies, from Census data, U.S. industries where wages account for more than 20 percent of the value of output; and then declares, without analysis, that these industries are all "at risk" to move to Mexico. Nowhere in the book do the authors suggest that 5.9 million jobs will be lost. The figure is utilized simply so the press will report it as a job-loss figure. The resulting list of "at risk" sectors is absurd. It includes high-wage, high-skill sectors such as sonar equipment, aerospace, medical equipment, and telecommunications. These are the very sectors in which credible economic studies show future U.S. job growth due to NAFTA. It also includes sectors producing non-traded goods such as bakeries and wood-pulp millers. The study really has nothing to do with NAFTA. U.S. barriers are already low compared to Mexico's. If these jobs were really "at risk," they would already have been lost.
59	"[F]oreign 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.'"	Mr. Perot's criticism of the "revolving door" is focused on the acts of prior administrations. It completely ignores the fact that on his first day in office, President Clinton signed Executive Order 12834, requiring his senior appointees and trade negotiators to sign pledges governing their post-employment activities before the federal government. These pledges, which are enforceable through injunctions, debarment, and recoupment, reflect the most stringent post-employment restrictions ever imposed on senior noncareer officials.

Page	Book says	Statement
63	"Multinational corporations have had their eye on Mexico for years--not as a market of real consequence, but as a locale for an unlimited supply of cheap, high-quality labor."	This ~~statement is demeaning~~ to Mexico and American businesses. Mexico is our third largest trading partner and the second largest purchaser of American manufactured goods (Canada is the largest). It ranks ahead of every European country. Moreover, Mexican consumers have a strong preference for U.S. goods. Indeed they buy more per capita from the U.S. than the much wealthier Europeans or Japanese.
64	"USA*NAFTA companies will profit greatly if Congress ratifies NAFTA."	This statement is misleading because it implies that companies profiting from the NAFTA is either negative or sinister. Indeed, Ross Perot is so successful because his businesses have profited so much. Moreover, only with profits can companies continue to invest in workers, plant, equipment. Only with profits can the U.S job base expand and businesses invest or save for our future.
64	"Most of the sponsoring companies (of USA*NAFTA) also maintain full-time lobbying offices in Washington."	This statement ignores the fact that most of the organizations opposed to NAFTA also maintain full-time lobbying offices in Washington. Indeed, Ross Perot's companies have lobbying offices in Washington D.C.
65	"It is illegal for the executive branch to lobby Congress, but the White House and the dozens of agencies under its control employ hundreds of people in a category called 'congressional relations.' It's the same thing as lobbying, but it doesn't pay as well."	This is false. The Anti-Lobbying Act, 18 U.S.C. § 1913, is intended to prohibit the use of appropriated funds to promote grass-roots lobbying efforts, such as letter-writing campaigns by private citizens. Members of the executive branch are entitled to express their opinions to Congress, and there is nothing illegal about it.

Page	Book says	Statement
Page 66	"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.'"	The statement mis-leads by a half-truth because it overlooks the fact that when then-Secretary of Labor Lynn Martin testified before Congress she also noted that NAFTA would create 100,000 to 180,000 MORE U.S. jobs than would be lost--that is, NAFTA would result in a <u>net</u> increase in U.S. employment of 100,000 to 180,000 jobs. Perot/Choate confuse net job creation and gross job turnover. Similarly, the July 1993 report by the Congressional Budget Office (CBO) noted that <u>net</u> increases in U.S. employment of 35,000 to 170,000 due to NAFTA have been forecast, which is "negligible" compared to total U.S. employment of almost 120 million. With regard to the number of U.S. workers that might be displaced by NAFTA, the CBO study concluded that 100,000 to 200,000 U.S. workers might face job losses from NAFTA. This conclusion was summarized at the beginning of the study as: "Even though NAFTA would increase total employment in the United States, some workers could lose their jobs. The total number of jobs lost would probably be well under half a million, spread over at least a decade. Viewed as part of a larger, dynamic labor market in which nearly 20 million workers were displaced during the 1980s, the effects of NAFTA appear very small."[9]

Page	Book says	Statement
66		Increased U.S. merchandise exports to Mexico since 1986 have already generated over 400,000 jobs, and are projected to generate another 200,000 jobs under NAFTA by 1995. These are good jobs which pay, on average, 12 percent more than the national average.[10] Perot/Choate simply ignore the export side. When asked by the Wall Street Journal (8/27/93) about their selective quotations, Choate responded: "I believe the displacement. I don't believe the gain."

Page	Book says	Statement
66-67	"Myth 2": The reason that most U.S. policymakers are so blind to the job shifting that will occur if NAFTA is ratified is that they rely on the dozens of "reputable" academic studies that say it won't happen. Yet, these studies are based on unrealistic assumptions and flawed mathematical models. Most of these models assume, for instance, that the United States is operating at full employment...[and]...that Mexico will not become an export platform into the United States for Asian and European manufacturers... Specifically,...the NAFTA studies ...are based on mathematical models that are unable to "capture" the effects of key elements of the agreement[,]...unable to satisfactorily calculate the effects of NAFTA on key agricultural sectors[,]...cannot calculate whether NAFTA will result in U.S. companies moving to Mexico[,]... [and] 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.	Several comments are in order. First, NAFTA supporters do not simply rely on economic studies. We rely also on the experience and advice of American producers who export American product to Mexico. Second, it is curious for the authors to fault methodology in other studies, given the methodology employed in the Choate study, which has been widely criticized by virtually all independent economists. Third, no one economic study should be the only guide for any public policy...Each study has had individual weaknesses, but it is remarkable that, despite varying assumptions, these studies reach such similar conclusions: NAFTA will promote economic growth in Mexico and the United States, and will benefit workers of both countries.

Page	Book says	Statement
Pages 66-67 Continued		An impressive array of academic, government, and business analyses of the economic impact of NAFTA have been done. NAFTA is probably the most thoroughly studied trade agreement in history. These studies have been surveyed by impartial researchers at, for example, the International Trade Commission (ITC), the Congressional Budget Office (CBO), and the Brookings Institution. [11] The ITC concludes: "Despite the different approaches taken in these studies, there is a surprising degree of unanimity in their results regarding the aggregate effects of a NAFTA. All three countries are expected to gain from a NAFTA. The greatest impact will be on the Mexican economy, with less impact on the Canadian and U.S. economies." The CBO concludes: "A thorough review of the myriad changes brought about by NAFTA, and of their interactions, leads to the single resounding conclusion that the net effect on the U.S. economy would be positive and very small. . . . Contrary to some commonly expressed concerns, the reallocation of resources would not be massive. Americans should not fear that NAFTA would cause a wholesale relocation of U.S. manufacturing plants and jobs to Mexico to take advantage of the lower average wage."

Page	Book says	Statement
Pages 66-67 Continued		The Brookings Institution survey concludes: "A consensus emerged . . . that the direct economic effects of NAFTA will be small for both Mexico and the United States. . . . [M]any of the changes in commercial relations that are often associated with NAFTA in public discussions have already occurred, and others will be spread over future years. . . . The general consensus of the studies . . . is that NAFTA will raise the average wage of U.S. workers and that the effect on low-wage workers will be negligible."
67	In what he calls, "Myth 3," Perot argues that "NAFTA is the ticket" for companies considering moving their operations to Mexico.	Misleading. NAFTA will eliminate the distortions and restrictions faced by companies attempting to sell in Mexico. In many cases, U.S. companies have only been able to sell in Mexico by locating there, high Mexican barriers to U.S. made products or provisions require' U.S. firms to manufacture in Mexico. NAFTA will eliminate these distortions.
68	In attacking "Myth 4," Perot argues that lower Mexican wages are what matter most to potential investors.	The truth is that in most industries low Mexican wages are insufficient to attract investment to Mexico. Other factors such as the availability of raw materials, intermediate goods, support services, reliable infrastructure (including transportation, telecommunications and other business services), skilled labor and proximity to markets are important as well. Production in Mexico is usually disadvantaged compared to production in the U.S. with respect to most of these other factors.

Page	Book says	Statement
11, 68	"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." (p. 11)	The book misstates the purpose and effect of the NAFTA. While NAFTA does have rules that prohibit unfair treatment of each country's investors, (for example, arbitrary seizure or expropriation), the major purpose of the NAFTA is to remove the distortions in Mexican law that prevent U.S. -- and often Mexican -- investors from making the most productive and beneficial trade and investment decisions. Under NAFTA the Mexican government will eliminate an array of policies that required U.S. companies to locate in Mexico in order to sell in the Mexican market. U.S. firms can then sell goods produced in the U.S. to Mexico without restriction. With respect to the maquiladoras, NAFTA effectively removes requirements that the goods they produce be exported to the U.S. Under NAFTA, they can sell products made with U.S. components and equipment in Mexico.

Page	Book says	Statement
68	"Mexican workers are very good... Dozens of articles in leading publications...document that...the productivity of the new Mexican plants operated by U.S. corporations is fully competitive with plants located anywhere in the world." "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." "The real reason U.S. manufacturers don't go to Haiti or Bangladesh is that these countries don't have the political stability or investment guarantees of NAFTA."	The analysis is simplistic. Mexican workers in some sectors are very good. However, not all sectors share in the high productivity reported in the articles cited. Certainly, on average, American workers are still the most productive in the world —much more productive than Mexican labor. However, labor productivity is only part of the story. If economic development could be achieved by simply locating modern factories in developing countries, then it would be easy for poor countries to catch up with the developed world; and it would have happened long ago. The analysis is faulty in suggesting that producers will bet against U.S. workers —located in a rich country with great resources and infrastructure— in head-to-head competition with workers in Mexico.
68	"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 export industries have dramatically increased their productivity."	See our comment on page 45 of the Perot book for a denial of the claim that wages fell 50 percent (by a representative of the organization to which the figure is attributed in the Perot/Choate book). Mexico did impose wage and price controls in the mid-1980s as a response to extremely rapid inflation. Real wages declined sharply in the first half of the 1980s as Mexico entered a period of crisis over foreign debt, and deep recession. More recently, however, the Mexican economy has revived and wages have been growing.

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69	"[L]abor costs are the principal cost of production for most U.S. manufacturers... Other manufacturers are moving to Mexico in search of cheap labor."	False. Labor costs are not the principal costs of production for most U.S. manufacturers. Even a figure for labor at 20 percent of production costs —the figure used by Choate claim that 5.9 million U.S. workers are at risk from NAFTA— does not represent "the principal cost of production" reported in the book. While important, labor costs are far from the most important consideration in making decisions about plant location.
69	"They [U.S. manufacturers] have few means to cut the costs of interest, taxes, supplies components, energy, and other factors of production. But management can cut labor costs."	This argument overlooks the principal way in which the United States has cut labor costs for decades while expanding jobs and increasing wages: by increasing productivity. That is what the great American tradition of innovation is all about. Investment in innovation lowers labor costs and ultimately creates higher paying jobs. NAFTA, far from being a threat to U.S. wages, will encourage innovation in the United States, raise average labor productivity and help lay the foundation of increasing real wages.
69	In what he calls "Myth 5," Perot argues that the statistics of U.S.-Mexican trade give the mistaken impression that Mexico is a vast and growing market for American exports.	This is not a myth. Mexico is a large market for U.S. exports —our third largest after Canada and Japan. On a per capita basis, Mexico imports more from the United States than does either much wealthier EC or Japan.

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69-70	"Of the $40.6 billion of U.S. exports to Mexico in 1992, $15.5 billion was in capital goods - that is, factories... At this rate the U.S. will go bankrupt running up trade surpluses."	The Perot/Choate book does not understand what capital goods are. Capital goods are everything from drilling equipment to electric generators, machine tools, and construction equipment and machinery. Any healthy economy or company constantly needs to replace and expand capital goods -- a fact every business person should know. We are among the world's most efficient producers of all kinds of capital goods -- mostly for the U.S. market. Exports of these products, however, provide hundreds of thousands of jobs. If we did not export to these countries, other countries, like Japan and Germany would eagerly sell instead. have been growing fast. The United States will not go bankrupt with exports of capital goods to Mexico. Most capital equipment exported to Mexico is used to produce goods and services for the Mexican market which, with NAFTA, is now set on a healthy growth path. If U.S. capital goods exports to Mexico were being used to flood the U.S. market with imports, one would expect our trade balance with Mexico to have moved into larger deficit over the last 6 years. In fact, our trade balance has moved from substantial deficits in the mid-1980s to substantial surpluses today.

Page	Book says	Statement
Pages 69-70 Continued		According to U.S. government statistics, the proportion of American exports of capital goods to Mexico have fallen from 40 percent of total exports in 1986 to 33 percent in 1992. The reason for this relative decline of U.S. capital goods exports to Mexico has been that exports of capital goods to Mexico have been rising, but American exports of all other major end-use categories of exports to Mexico have been growing even faster. The book is correct in stating that capital goods was the largest category of U.S. exports in 1992, but is wrong in implying that such exports serve to the detriment of U.S. workers and economic interests. The U.S. has the world's most competitive goods industry. Capital goods include not just factories, but electric generators, oil-drilling equipment, construction equipment machine tools and an array of high tech goods. Capital goods accounted for 39 percent of U.S. exports to the world in 1992.[12] Such exports — whether to Mexico or to the rest of the world — support hundreds of thousands of U.S. jobs. The book's authors should not disparage such exports; it is certain that Japan, Germany and our other main trade competitors would be eager to supply Mexico and the world with capital goods if we did not wish to export such products.

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70	In what he calls "Myth 6", Perot argues that, rather than NAFTA creating a market of $7 trillion for 362 million people as advocates claim, the United States is the market, within the U.S. economy constituting more than 85 percent of the North American market while Mexico offers only a plentiful supply of low-wage workers.	The authors call this a myth because "[t]he U.S. economy constitutes more than 85 percent of the North American market, while Mexico's economy is 4 percent of the market." The United States may dominate North America's economy, but Mexico and Canada loom large in U.S. trade, accounting for almost 30 percent of U.S. exports. Because Mexico currently has such lower per capita income, its growth potential (given the continuance of domestic economic reforms) is large. With 90 million people, Mexico has the potential to be a rapidly expanding market for U.S. exports and a source of benefits to U.S. production and U.S. workers. For the U.S. to benefit, however, NAFTA is critical in legally binding Mexico to the removal of its substantial barriers against the export of U.S. goods and services. Under NAFTA, our exports of capital goods will have a leg up on our main competitors in Mexico's market, because we and Canada will have preference over foreign products that still will have to pay tariffs in Mexico.

Page	Book says	Statement
70	"Another $9.4 billion of U.S. exports were for industrial supplies that were used in the manufacturing of products — a large proportion of which were shipped back to the United States."	All countries — the United States included — need to import industrial supplies, equipment and components which enhance its domestic production. That we have significant exports of such products to Mexico benefits us by supporting thousands and thousands of high-paid jobs in the United States. It is far better that Mexico purchase these parts from U.S. sources than from other countries such as in Asia or Europe. The Perot book also ignores the fact that U.S. exports of finished goods to Mexico have grown far faster than exports of parts and components. Moreover, the impression, created by this statement and others in "Myth 5" that U.S. export growth has not been real is completely refuted by the facts. The U.S. International Trade Commission has calculated that U.S. exports of inputs for production sharing arrangements in Mexico (i.e., Maquiladoras) comprised an estimated 22 percent of all U.S. exports to Mexico in 1992, down from 32 percent in 1987. An estimated 83 percent of the growth in U.S. exports to Mexico in the last 5 years was for use in Mexico, not reexport to the United States.[13]

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72	In what he calls "Myth 7," Perot argues that 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."	NAFTA will help generate more economic activity in Mexico thus expanding jobs and opportunities throughout the entire nation, decreasing the need for Mexicans to migrate northward. As President Salinas of Mexico has said, Mexico is interested in exporting goods, not people. Others who have made a strong case for economic development in Mexico as a long term solution to the immigration problem include a high level Commission (the Commission for the Study of International Migration and Cooperative Economic Development) created by the 1986 Immigration Reform and Control Act. Its July 1990 report listed as its first recommendation that, "the United States should expedite development of a U.S.-Mexico free trade area and encourage its incorporation with Canada into a North American free trade area." In a July 24, 1990 statement, the Commission Chairman said, "[t]he basic conclusion that we came to was that the only thing that could possibly work would be the development and promotion of international trade." Interestingly, the Economic Policy Institute, so heavily (and favorably) cited in the Perot/Choate book concluded that Mexican immigration will decrease with free trade Congressional testimony by William E. Spriggs of the Institute on May 15, 1991 presented mathematical economic research which concluded that NAFTA would reduce U.S. immigration from Mexico from what it would otherwise have been in the year 2000 by 1.4 million persons in one scenario and 1.6 million in the

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72	In what he calls "Myth 8," Perot questions the Administration's estimate that 400,000 jobs will be lost if NAFTA is defeated.	This figure has been correctly used by U.S. government officials as an illustrative example of the job loss potential arising from a failure to implement NAFTA. The "Administration Statement on the North American Free Trade Agreement," states the following: "Without NAFTA, we anticipate a reduction in U.S. exports and related jobs. Mexico could suffer capital flight, disinvestment, and a loss of confidence in its economy. A less healthy Mexico would be less able to afford imports produced in the United States. "The precise impact is difficult to measure. However, in the first two years of the Mexico debt crisis (1981-1983), U.S. exports to Mexico dropped by almost half. "If even a quarter of U.S. exports to Mexico were lost by 1995, U.S. export-related jobs would fall from there current level [1992] of 700,000 to 500,000 - a loss of 200,000 high wage-jobs (and a sharp contrast with the 900,000 projected jobs with NAFTA)."[14] The Administration stands behind this statement, which is consistent with known facts. By contrast, the Perot book assumes that U.S. job growth will not continue as a result of exports to Mexico. Since Mexico began liberalizing its economy in 1986, U.S. exports have exploded and U.S. jobs supported by these exports have risen from 274,000 to an estimated 700,000 in 1992.

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74	In what he calls "Myth 9," Perot argues that NAFTA should not be used as a foreign policy device to take sides in the upcoming Mexican elections.	This is a red herring. Two American Presidents have actively negotiated these agreements and concluded that NAFTA with its supplemental accords is a good trade agreement which will benefit America and American workers. NAFTA stands on its own merits for the U.S. and should be approved first and foremost because of the benefits it will bring here. Moreover, as Mexico grows, it will be able to deal more effectively with shared problems from the environment to narcotics and our interests are more likely to coincide than conflict. NAFTA proves to Europe and to Asia that the United States wants level playing fields wherever we compete. And it shows the rest of the countries of the hemisphere that open markets and economic reform are in their interests. Rejection of NAFTA, on the other hand, would leave Mexico to pursue development strategies that cut us out of the Mexican market.
79	"NAFTA Chapter Three tariff provisions will quickly open the U.S. market to goods shipped from Mexico."	Fifty percent of goods entering the United States from Mexico currently enter free of duty, and have been doing so for years. Chapter Three merely codifies current treatment for such products. For those tariffs that have not been reduced previously, NAFTA provides sufficient time (up to 15 years for some highly import-sensitive goods) for U.S. industries to adjust to the elimination of those tariffs.

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80	"U.S. textile manufacturers are disadvantaged by the NAFTA."	U.S. exports to Mexico of textiles, fibers and apparel have grown 25 percent on average each year since 1986, reaching $1.5 billion in 1992, and creating a trade surplus in the sector of $81 million, in spite of Mexico's current 10-20 percent tariffs. NAFTA will continue and accelerate this export growth because it will phase out remaining tariffs and barriers to trade in this sector.
80	"Mexican restrictions on used equipment will ensure that only Mexican construction equipment will be used in the post-NAFTA building boom."	NAFTA ensures that U.S. construction firms will be able to bring whatever equipment -- new or used -- into Mexico as necessary to perform work there under contract.
80	"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."	The rules of origin will ensure that products made outside the NAFTA do not benefit from NAFTA tariff treatment. Jobs created in Canada or Mexico are more likely to create markets for U.S. goods than jobs created elsewhere.

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81	"Limited numbers of Customs agents at the U.S.-Mexico border will not enable Customs to cope with increased imports from Mexico."	Customs is already increasing manpower and expanding its facilities on the border. More importantly, NAFTA provides that Mexican or Canadian exporters that violate U.S. customs laws will be subject to criminal and/or civil penalties within their own countries, a deterrent to fraud that does not now exist. Moreover, enforcement of NAFTA preference will not be done exclusively at the border. In fact, it will be done primarily by Customs personnel going directly to the factories in Mexico and Canada to confirm that the goods are manufactured there, rather than transshipped from other countries. Finally, customs agents, through laboratory analysis and tracing of shipments can differentiate between shirts made in China and those made in Mexico.
81	"Mexico kept energy off the NAFTA negotiating table "for the most part."	The book fails to mention that Mexico agreed to: o subject its energy and petrochemical sector to disciplines on import and export restrictions; o allow U.S. firms to negotiate contracts directly with Mexican end-users; and o apply the guarantees of the NAFTA investment chapter to private investment it allows in basic energy activities in Mexico.

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10, 82	"Two of the most important provisions [of NAFTA], however, concern the export of wheat and corn to Mexico. Under NAFTA, Mexico's market will be opened to U.S. and Canadian exports of both commodities. But, U.S. wheat farmers will be at a price disadvantage because the 1988 Canada Free Trade Agreement already permits Canada to subsidize the wheat production of its farmers."	The book tells a very misleading story on wheat. We would like Canada to cease its wheat subsidies, but Canada was not willing to give up this practice. Accordingly, we maintained our right to subsidize our wheat exports to enable us to compete with subsidized Canadian wheat. NAFTA does not change this situation, nor would rejecting NAFTA help. More significantly, NAFTA opens opportunities for U.S. wheat, corn and barley producers. According to USDA, by the end of the NAFTA transition period, annual U.S. corn exports are expected to be 60 percent higher than otherwise and industry revenues for corn and grain sorghum will likely increase by about $400 to $500 million due to NAFTA. Similarly, USDA anticipates that by the end of the transition period, U.S. wheat exports are expected to be about 1.5 million metric tons, about 20 percent above the level that would be expected without NAFTA.

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82, 83	"Perhaps the greatest dangers from NAFTA are contained in the food hygiene standards. NAFTA's lax standards undermine existing U.S. health and environmental standards. Rather than adopt the highest possible food hygiene levels, NAFTA adopts standards developed by something called the Codex Alimentarius Commission, plus those of the International Office of epizootics, the International Plant Protection Convention, and the North American Plant Protection Organization. . . . NAFTA is back-door deregulation of U.S. health and environmental standards."	False. Perot's assertions regarding food safety and standards are completely wrong and amount to nothing more than scare tactics. Perot's book is dead wrong in claiming that NAFTA, in any sense, requires us to reduce our standards or to adopt the standards recommended by international bodies such as the Codex Alimentarius. Article 713.3 specifically provides that "nothing...shall be construed to prevent a party from adopting, maintaining or applying, in accordance with the other provisions of the Section, a sanitary or phytosanitary measure that is more stringent than the relevant international standard, guideline or recommendation." The supplemental agreements include a commitment for the three countries to work to harmonize standards upward. No provision of NAFTA creates an obligation that states adopt the same measures as the federal government. Accordingly, there is no basis under the NAFTA for challenging a state measure simply because it is more stringent than a relevant federal measure. The NAFTA does not require that the United States change any particular standard and the provisions were specifically negotiated to be clear that there would be no "downward harmonization" of health

Page	Book says	Statement
Pages 82, 83 Continued		and safety standards. Instead, the NAFTA creates a process by which the three countries can try to reach greater compatibility of standards, but that does not require us to agree to any particular change in standards. No "harmonization" process can ever force us to agree to standards we find unacceptable, nor could Congress be bound by any result it found unacceptable. Congress would need to pass specific legislation to effect any change.
84	"The NAFTA will nullify the federal Buy America Act."	Misleading. The NAFTA requires minimal changes at the Federal level and <u>no</u> change at the state level. The procurement provisions offer significantly expanded opportunities for U.S. firms to do business in Mexico and Canada. The NAFTA Government Procurement Chapter will permit access to government tenders in the three countries on a competitive basis by companies from those countries. For Mexico, this is the first time that it has opened its government procurement in an international agreement. The NAFTA explicitly allows in Annex 1001.2b for the continuation of U.S. small and minority business programs, which reserve certain contracts for qualified U.S. suppliers. NAFTA also preserves other sensitive procurement for U.S. suppliers including the "Berry Amendment" Defense Department purchases of textiles, shoes, other goods and specialty metals. (Annex 1001.1b, Section A).

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85	NAFTA will also undermine the Buy America laws of 35 states and hundreds of cities.	False. The NAFTA procurement provisions do not apply to state and sub-central level government procurement. Therefore, NAFTA cannot possibly undermine state "Buy America" laws. The NAFTA government procurement chapter, Article 1024 provides only that within five years after implementation of the agreement, the U.S., Canadian and Mexican governments will consult with their state and provincial governments about voluntarily including their procurement under the NAFTA. This will be an entirely voluntary decision by the U.S. states, and would only proceed if Canadian provinces and Mexican states also agreed to participate.
85	"NAFTA allows Mexico and Canada to challenge Buy America laws as illegal trade barriers."	This is incorrect. In Articles 1001 and 1003 of the NAFTA, all three countries agreed to open their government procurement above specified levels to suppliers from the other two countries. In the U.S. case, the Buy America laws will be suspended for Canada and Mexico above a specified contract value. Similarly, Canada and Mexico will suspend their buy national legislation for the other NAFTA parties.

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86	"Canada...is allowed to review the direct acquisition by foreigners of all Canadian business assets over $5 million..."	False. The screening level of $5 million applies to non-NAFTA investors. For investors from Canada and Mexico, the screening level is C$150 million, which is adjusted for inflation and economic growth. This high level assures that only a limited amount of transactions are reviewed by Investment Canada.
87	"NAFTA allows Mexico and Canada to protect certain industries and to exclude U.S. investors (both individuals and corporations) at their discretion."	While all three countries retained some investment limitations, NAFTA does not create restrictions, but rather works to remove a wide array of restrictions and distortions. The book fails to note for example, that under NAFTA, Mexico must eliminate "performance requirements" that force foreign investors to export their production (usually to the United States) or use locally made inputs in their production. The elimination of performance requirements in Mexico is very beneficial in the United States, as it will increase demand for U.S.-made inputs (thereby increasing employment in the United States) and allow increased sales in Mexico of goods produced by United States investors.
87	"Mexico and Canada reserve the right to limit or prohibit foreign investors. The United States does not have this same right under NAFTA."	The United States currently restricts foreign investment only in sensitive areas of our economy. Under NAFTA, the United States preserves this right, and the rights of individual states to do so as well. These restrictions can be found in Annexes I-VII of the Agreement.

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87	"Mexico and Canada's entertainment industry (movie and television production, for example) have important exclusions under NAFTA. Similar exclusions are not available to the United States."	This statement is wrong. The statement implies that the United States has no reservations under NAFTA. In fact, the United States has taken reservations affecting investment in cable television (II-U-2) and television and radio broadcasting (II-U-3). In addition, the United States has the same rights as Canada respecting "cultural industries." NAFTA <u>liberalizes</u> certain Mexican restrictions.
88	"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. services market."	False. The statement implies that Mexican professionals can enter the United States and practice their profession without being licensed in the U.S. In reality, under NAFTA Mexican professionals must be licensed in whatever state they seek to practice in. A Mexican doctor may not practice in Texas until he or she has been licensed to do so by the state of Texas. In addition, Mexican professionals must obtain the appropriate U.S. visa before they enter the United States. U.S.-licensed professionals will not be competing with Mexican-licensed professionals in the U.S. market. This statement also implies that <u>all</u> professional standards are subject to dispute settlement for <u>any</u> reason. This is incorrect. Licensing and certification criteria may be challenged if they discriminate against citizens of another NAFTA country. Tough licensing and certification requirements that are equally applied to all applicants do not violate NAFTA, and may be established at any level deemed necessary by the appropriate regulatory body.

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Page 88 Continued		Finally, the book seems to assume American professionals can compete with Mexican counterparts. In fact, we have the world's finest professionals who earn more because they are the best.
90, 91	"Today, foreign professional workers can enter the U.S. labor market, but only "temporarily" and if an employer gets a certification that a qualified U.S. worker cannot be found."	This statement is false. Under current U.S. law, Business Visitors, Traders and Investors, Intra-Company Transferees, and certain Professionals temporarily admitted into the U.S. are not held to the requirement that qualified U.S. workers must be unavailable. Current U.S. immigration law is the basis for our Temporary Entry Admission Commitments in the NAFTA. The Perot statement overlooks the benefit that NAFTA requires Canada and Mexico to provide reciprocal access for U.S. personnel who will be admitted in these same categories into all NAFTA countries.
90, 91	"Also, the existing U.S. immigration laws place a numerical limit on the number of temporary workers."	This statement is untrue. With the exception of "Specialty Occupation" personnel existing U.S. immigration law does <u>not</u> apply numerical limits to persons admitted under NAFTA. Business Visitors, Traders and Investors, and are admitted without limitation.
90, 91	"Under NAFTA, Mexican and Canadian workers in 63 designated categories may be hired in the United States, even if qualified American workers are available."	The statement is misleading. Admission of 60-plus categories of Professionals is already allowed under U.S. law, <u>if</u> these workers are paid prevailing wages and several other criteria are met.

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90, 91	"NAFTA also eliminates, by stages, any numerical limits on the number of these professionals who can work in the United States. In year one of the agreement, only 5,500 professional "temporary" workers from Mexico and Canada can enter the United States. After the first year, NAFTA obligates the United States to consider raising the ceiling. But in any case, another 5,500 can enter in the second year, and another 5,500 in the third year. If any ceiling remains at the end of three years, the United States must enter into negotiations with Canada and Mexico."	The numerical ceiling affects only admission of Professionals from Mexico, not from Canada, where admission of professionals will continue to be unrestricted for agreed categories as is the case under the U.S.-Canada Free Trade Agreement. No commitments to lift the ceiling on admissions from Mexico after three years have been made. It will be raised only if it is in the interest of the United States. Under the NAFTA, Mexico imposes no numerical ceiling on its admission of U.S. Professionals.

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90, 91	"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."	Professionals entering from Canada and Mexico must meet very specific requirements to enter the United States as stated in Annex 1603(D). These requirements completely discredit the myth that individuals entering under NAFTA Chapter 16 will be a source of cheap labor. First, the professional must have a four year post-secondary baccalaureate or equivalent experience in professions set forth in Appendix 1603.D.1. This means the individual must present before entering the United States documents that prove the professional status required for temporary admission. Second, the professional must also have a letter or contract from an employer. An employer seeking admission of a professional from Mexico must attest that the individual will receive the prevailing wage and that working conditions meet safety and health standards. Third, the employer will have filed with the Department of Labor an attestation stating that this individual is not entering to adversely affect a strike or lockout.

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90, 91	"There is more. Once "Temporary" workers from Canada and Mexico begin to work in the United States, their "temporary" status can be extended for an unlimited number of years."	This is the case under existing U.S. law. In addition, Business Persons admitted under the terms of the Agreement hold citizenship in another Party country. Most Business Persons do not want to stay in the United States for a long period of time. The terms of admission prevailing under existing U.S. law and regulation are the basis for NAFTA commitments and do not offer an unlimited term of stay. In the case of Professionals, the Immigration and Naturalization Service can deny annual renewals for individuals who are indefinitely staying in the United States.
90, 91	"NAFTA also expands the concept of "business worker", which previously meant the owner or executive-level employer 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."	False. NAFTA does not expand the definition of Business Visitor. It uses the existing definition in U.S. law and regulation. Annex 1603, Section A.1.c. of the agreement requires a Business Visitor to present: "evidence demonstrating that the proposed business activity is international in scope and that the business person is not seeking to enter the local labor market."
90, 91	"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."	Misleading. The temporary entry provisions of the NAFTA do not admit "semi-professionals." The maximum number of professionals that would enter from Mexico is 5,500 in the first three years. The U.S. is not obligated to increase this number for 10 years. During this 10-year transition, employers must attest that they are paying prevailing wages to professionals entering from Mexico. U.S. wages and benefits will not be driven down.

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90, 91	"While no one was watching, U.S. NAFTA negotiators radically revised the nation's immigration laws."	False. U.S. immigration laws were not "radically" revised. The commitments made to streamline admission procedures for NAFTA business visitors, traders and investors, intra-company transferees and professionals all correspond to current immigration laws. Moreover, there is nothing radical or extremely different in the U.S.-Canada Free Trade Agreement's Chapter 15 and the current proposed Chapter 16 of the NAFTA.
93	. . . NAFTA takes away the constitutional right of American citizens to seek redress in U.S. courts if they are harmed by . . . dumping.	Mr. Perot's statement erroneously assumes that U.S. courts are the forum for redressing unfair trade practices. In reality, the U.S. Department of Commerce and the U.S. International Trade Commission ("ITC") investigate the existence and effect of unfair trade practices, such as dumped and subsidized imports, on American industries. Chapter 19 of the NAFTA, "Review and Dispute Settlement in Antidumping and Countervailing Duty Matters," recognizes and reinforces the right of American industries to redress unfair trade practices such as dumped and subsidized imports through existing administrative proceedings. NAFTA Art. 1902. Existing law permits appeals from the administrative proceedings to the U.S. Court of International Trade. Chapter 19 of the NAFTA adds the option of appeals to a binational panel. NAFTA Art. 1904.11-12.

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94	Over the past several decades, the United States has often been the target of dumping and subsidized exports. . . . 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.	NAFTA does not "wipe out" their rights and procedures. The protections built into U.S. law to deal with dumped and subsidized imports provide expedited methods for the U.S. Department of Commerce and the ITC -- not U.S. courts -- to investigate unfair trade practices. Chapter 19 of NAFTA recognizes and reinforces the right of American industries to petition the Department of Commerce and ITC to launch unfair trade investigations. NAFTA Art. 1902. NAFTA further improves the expedited nature of these proceedings by reducing the time an agency's ruling can be held on appeal. NAFTA Art. 1904.8. 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. (p. 94).
94	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.	This is misleading because it erroneously assumes that U.S. courts investigate unfair trade practices such as dumped and subsidized imports. Only the Department of Commerce and the ITC can find that Mexican or Canadian goods are dumped into the U.S. market or subsidized by their governments. Existing law permits appeals to the U.S. Court of International Trade. Chapter 19 of the NAFTA adds the option of appeals to a binational panel. NAFTA Art. 1904.11-12.

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94	The rulings of the international panel are final.	This is false because the United States may request review of binational decisions through the "extraordinary challenge procedure" under NAFTA Art. 1904.13.
94	Ultimately, U.S. citizens and corporations are denied the protection of American laws within the United States.	This statement erroneously assumes that binational panels do not apply U.S. laws. U.S. citizens are afforded the protection of American laws in a binational panel proceeding because the panel must apply U.S law just as a U.S. court would apply U.S. law. NAFTA Art. 1904.2-3.
95	"A panel is comprised of five people. The two nations each identify two panelists, and the four panelists then pick the fifth from a list."	This is inaccurate. Each country selects two panelists, and the countries then jointly select the fifth panelist. NAFTA Annex 1901.2.3.

Page	Book says	Statement
95	"Of the 25 potential panelists [initially selected by the White House in 1989], 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."	NAFTA will correct the perception that panelists lack neutrality by requiring that the roster include judges and former judges "to the fullest extent practicable." NAFTA Annex 1901.2.1. In addition, Chapter 19 of the NAFTA builds in a series of safeguards to prevent panel proceedings from being tainted by even the appearance of impropriety. First, the panelists selected must be "of good character, high standing and repute, and shall be chosen strictly on the basis of objectivity." NAFTA Annex 1901.2.1. Second, each country may exercise peremptory challenges to disqualify panelists selected by another country. NAFTA Annex 1901.2.2. Third, panelists must abide by a code of conduct that requires each panelist to avoid even the appearance of impropriety and partiality. If a participant believes that a panelist is violating the code, the panelist may be removed. Fourth, a country may use the "extraordinary challenge procedure" to vacate any panel proceeding where a member of the panel was guilty of gross misconduct, bias, or serious conflict of interest. NAFTA Art. 1904.13.
95	"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."	This is false. The roster of panelists is notified to Congress each year and published annually in the <u>Federal Register</u>. The American public, or members of Congress, may obtain the list of panelists by calling the United States/Canada Free Trade Agreement Binational Secretariat in Washington, D.C.

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95	"The work of the panel is done in secret, and the proceedings are not released to the public. . . . These are modern-day Star Chambers -- secret courts empowered to decide matters of enormous consequence to Americans."	This is false. Binational panel proceedings concerning dumping and subsidies investigations are open to the participants and the public to the same extent as other U.S. court proceedings. Notice of all binational panel proceedings are published in the Federal Register. All documents submitted to the panel and all panel decisions are available for review and copying at the FTA Binational Panel Secretariat. All hearings are conducted in public. Business proprietary information will be kept under seal and deleted from public documents at the request of the parties submitting the documents. This is a routine procedure in all U.S. courts.
96	"Canadian interests have appealed the decision of 16 rulings of the U.S. International Trade Commission (ITC). Binational panels were created, and ten of the 16 times they reversed the ITC ruling in favor of the Canadians."	This is inaccurate. As of August 1993, Canadian interests had appealed 27 U.S. decisions under Chapter 19 of the NAFTA -- nine of which are still pending before binational panels and seven of which terminated without a panel decision. Of the 11 completed panel proceedings, the panel upheld the agency's decision in all respects in four appeals, partially upheld the agency's decision in five appeals, and reversed the agency's decision in all respects in only one appeal. Therefore, even though there have been several remands in binational panel proceedings, these remands have affected only one or two of the issues presented in each appeal. Furthermore, binational panels only may uphold a determination or remand it to the agency for further action; this power is less than U.S. courts possess in reviewing agency decisions. NAFTA Art. 1904.8.

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96	"U.S. industry has appealed three dumping decisions made by the Canadian government. Panels were formed, and three out of the three times they rules in favor of the Canadians."	This is inaccurate. As of August 1993, American interests had appealed 11 Canadian decisions under Chapter 19 of the CFTA -- six of which are still pending before binational panels and two of which terminated without a panel decision. Of the three completed panel proceedings, the panel upheld the agency's decision in all respects in one appeal, and partially upheld the agency's decision in two appeals.
96	"Of the 16 panels that reviewed ITC decisions, ten had one or more U.S. panelists who was either a registered foreign agent or from a law firm that represents foreign interests."	NAFTA will correct the perception that panelists lack neutrality by requiring that the roster include judges and former judges "to the fullest extent practicable." NAFTA Annex 1901.2.1. Use of judges will reinforce the importance of according appropriate deference to the Department of Commerce and ITC, and of adhering to U.S. law.
96	"No one should be surprised to learn that these panels reversed 67 percent of the U.S. dumping and countervailing duty rulings brought before them. In the process, these lawyer/lobbyists established legal precedent that will favorably affect their clients in other cases."	This is misleading because it fails to recognize that panel decisions are not binding precedent on subsequent panels or courts except with respect to the "particular matter" decided by the panel. NAFTA Art. 1904.9. Moreover, the Binational Panel Code of Conduct prohibits panelists from serving where to do so would benefit their clients in other cases.

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96	"By contrast, the Court of International Trade, which is an independent judiciary and handles all other trade appeals in the United State other than those in the CFTA, has a reversal rate of only seven percent."	This is misleading because it compares the Court of International Trade's "reversal rate" with the binational panel's "remand rate." This is a comparison of apples and oranges. The Court of International Trade very rarely reverses agency decisions completely. In contrast, the Court of International Trade, like binational panels, frequently remands agency decisions for further explanation or revision.

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96	"The dispute settlement mechanism imposed in the United States is sufficient reason to reject NAFTA..."	The book totally ignores the benefit for U.S. exporters from these provisions. Mexican procedures have previously been secretive with frequent U.S. complaints that taxes were imposed arbitrarily. NAFTA's Chapter 19 dispute settlement mechanism will afford greater protection to U.S. industries that are subject to dumping and subsidies investigations in either Canada or Mexico. U.S. companies have long complained that Mexico's antidumping and countervailing duty laws are unfair because they provide inadequate notice of the proceedings, deny meaningful participation in the investigation, and do not base determinations on sufficient evidence or a consistent interpretation of the law. NAFTA's dispute settlement mechanism requires Mexico to institute far-reaching changes to its antidumping and countervailing duty laws, and to provide U.S. exporters with fair procedures and due process in the administration of an investigation. NAFTA also gives U.S. industries an opportunity to appeal adverse rulings to neutral binational panels. Currently, U.S. exporters do not have a right to judicial review of Mexican rulings.
97	"Mexico, Canada, and the United States also agreed to form a new trade bureaucracy that would assist in the administration of NAFTA. This is just what the U.S. taxpayers need -- another international agency to support."	The NAFTA won't require a new, costly "international agency." Nothing of the sort has been required under nearly identical provisions of the U.S.-Canada FTA. What the NAFTA will provide is a comprehensive forum for the countries involved to consult on and resolve trade and investment issues <u>before</u> they turn into costly disputes that could threaten U.S. jobs.

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97	"The Free Trade Commission, its staff, and its mandate are the undefined features of NAFTA, yet this Commission will wield substantial power over U.S., Canadian, and Mexican trade."	The Free Trade Commission set up under the NAFTA will not be an independent, international agency. NAFTA Article 2001 defines the Commission as a decision-making body comprising the designated trade officials of the countries involved -- in our case, the U.S. Trade Representative. These same officials currently meet to discuss issues, so the NAFTA neither increases nor decreases the "power" that such officials have over trade relations. The mandate of the group is also defined in the NAFTA Article 2001.
97	"If the 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."	The book mis-states the dispute settlement provisions and completely fails to note the value of these provisions for the United States. Congress and the American people have called for effective dispute settlement provisions to enforce the rights we have negotiated. Under NAFTA, if we believe Mexico or Canada is not honoring the terms of the agreement, an independent panel of experts from the private sector (not "international bureaucrats") will hear the arguments and issue a report. Mexico and Canada have access to the same process. If a country is found not to meet its obligations, it has three choices: agree on some remedy with the complaining country, offer compensation, or do nothing. Contrary to the book's assertion, neither the United States nor Canada or Mexico can be forced to change its practices or give compensation.

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Page 97 Continued		Panel decisions cannot override U.S. law or U.S. courts unless the Congress so provides. However, if a country that has been found to breach its obligations declines to make any changes, then it is the right of the injured country to retaliate. That is a right we insist on, because we want to be able to act if our trading partners fail to keep their commitments.
97	"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 this 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."	Chapter Twenty of the NAFTA sets out in significant detail the deadlines for dispute settlement panels, the qualifications required for panelists, and the manner in which outside experts may participate in the panel process. The "model rules of procedure" that will be established by January 1, 1994, relate to the mechanics of the panel process and will not alter the essential nature of the process.

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99	"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, of course, did not cause any of the environmental problems at the U.S.-Mexican border. Rather, NAFTA, the supplemental agreements, and the additional measures we are pursuing at the border are vital to address these problems and improve the environment. That will help us in two ways: our border communities will benefit, and U.S. companies, who lead the world in environmental technology, will have the opportunity to provide many of the goods and services needed for these purposes. NAFTA will help generate resources for this purpose. The environmental agreement which has just been completed has good mechanisms to expose problems of lax enforcement, with sanctions for failure to remedy those problems.
Page 99 Continued		Finally, the impact on U.S. citizens of inadequate environmental infrastructure (on the border) is being addressed through the creation of a binational infrastructure financing mechanism which will leverage small amounts of capital by attracting private sector investment and will require that those causing pollution and those benefitting from clean-up pay. In short, the environment will clearly be better off with the NAFTA than without it.

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99	"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."	This allegation is groundless. Weak enforcement has many causes and it would be very hard to prove that Mexico's enforcement efforts are designed to attract investment. What is easier to prove is that effective enforcement is expensive. The stringency of many of Mexico's environmental laws indicates their intentions. Why have strong laws if attracting investment through lax enforcement is your goal? Once again, the economic growth derived from NAFTA will give Mexico the resources to beef up its enforcement.

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102	"Any trade agreement that can't stand full public scrutiny by Congress before, during, and after the negotiations is not worth having."	It is not possible to negotiate in public, but it is absolutely true that any trade agreement must be able to stand full scrutiny by Congress and the public. NAFTA has been, and will be, the subject of exhaustive public discussion and Congressional debate: ---The issues raised by NAFTA were subject to an extraordinarily extensive public and Congressional debate before the fast track authority was granted in 1991. Concerns raised by Congress and the public about environmental and labor issues prompted the Bush Administration to engage in an extensive environmental review and propose a significant worker retraining program not previously contemplated. Fast track authority was granted only after the Bush Administration responded to those issues in a way that addressed Congressional concerns. --- The agreement being negotiated was one of the major issues of the 1992 presidential campaign. As a candidate, Bill Clinton had to decide whether to support or oppose NAFTA at the height of the campaign. ---Throughout the negotiations, Administration officials briefed and consulted with many members of Congress, and hundreds of private sector advisers representing all sectors of the economy, labor unions, and environmental groups. The upcoming debate over NAFTA this fall promises to be one of the most intensive in memory. Congress will pass the implementing legislation for NAFTA only after fully satisfying itself that the agreement is in the

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		national interest. The Administration believes that it can and will make that case, but there is surely no danger of any rush to judgment.
102	"The first action that is required of Congress is to reject NAFTA. Congress' second action should be to reauthorize the president to negotiate a win-win trade deal with Mexico."	Virtually every serious study done has shown that the NAFTA, strengthened by the supplemental agreements recently completed, is a "win-win trade deal with Mexico." But if this agreement, negotiated by a Republican President and supplemented by a Democratic President, is rejected, there should be no illusions that the U.S. and Mexico will be back at the table, negotiating some better deal. There will be no further negotiations; trade relations between the countries will be set back significantly, for years to come.
103	"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."	It is simply absurd to contend that Congress has been a rubber stamp for the President in trade policy in recent years. Throughout the 1980's, an increasingly frustrated and restive Congress clashed repeatedly with Presidents Reagan and Bush over trade policy, most often with respect to Japan. The Omnibus Trade and Competitiveness Act of 1988 was a bipartisan Congressional initiative forced on the Reagan Administration and passed over the President's veto. By the authors' own admission, Congress subjected President Bush's request for fast track authority for NAFTA to a bitter debate, and it is certainly not going to "rubberstamp" NAFTA and the implementing legislation when they are submitted this fall.

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106	The United States should "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."	A 'social tariff' is a thinly disguised return to the protectionist, isolationist policies that resulted in the great depression. It would be a blatant violation of trade rules and inevitably result in retaliation against our exports by countries all over the world. This would increase U.S. unemployment and decrease U.S. wages, rather than raising wages elsewhere. In addition, Mr. Perot's proposal would require the creation of a huge bureaucracy to calculate and collect the 'social tariff' appropriate for each good from each country, and contrary to Perot's own position on page 97.

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107	"[T]he United States should require that exports from Mexico to the United States be produced by workers who: o Possess the right to organize independent unions and bargain collectively; o Have working conditions -- hours, minimum wages, work-place safety, and health care -- that are equal to those found in the United States; o Have the right of association; and o Are not exploited by age or sex."	Mr. Perot says nothing about the North American Agreement on Labor Cooperation that was concluded on August 13 to supplement the NAFTA. This is the first labor agreement negotiated specifically to accompany and build on a trade agreement. It will promote improved labor conditions and strong enforcement of national labor laws in all three countries, and addresses all the issues cited by Perot and Choate, and several more. To quote from the summary released last month: "Each party is committed, in accordance with domestic laws, to promote the following principles: the freedom of association, the right to bargain collectively, the right to strike, prohibition of forced labor, restrictions on labor by children and young people, minimum employment standards, elimination of employment discrimination, equal pay for men and women, prevention of occupation accidents and diseases, compensation in cases of worker accidents or occupational diseases, and protection of migrant workers."

Page	Book says	Statement
107	"The imposition of worker rights standards is nothing new. Several existing U.S. laws contain worker 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 worker rights provisions in these laws are not enforced."	Wrong. A large number of countries have had trade benefits suspended as a result of determinations that they did not meet the worker rights standards of U.S. law. This includes Nicaragua, Paraguay*, Romania, Chile*, Burma, The Central African Republic*, Liberia, Sudan, Syria and Mauritania. In addition, 8 countries currently have their trade preferences under review, and reviews of additional countries are expected to be initiated shortly. In addition, the Caribbean Basin Economic Recovery Act was passed in 1983, not 1986, and the Generalized System of Preferences Act of was passed in 1975, not 1986 (with the worker rights provisions added in 1984). The Overseas Private Investment Corporation worker rights provision was included in the Foreign Assistance Act of 1985. *After taking action to improve worker rights protection, trade preferences were restored for these three countries.

1. U.S. Department of Transportation estimate derived from relationship of transportation accounts to U.S. GNP.

2. "Effects of the North American Free Trade Agreement on U.S. Agricultural Commodities," U.S. Department of Agriculture, March 1993.

3. "Effects of the North American Free Trade Agreement on U.S. Agricultural Commodities," U.S. Department of Agriculture, March 1993.

4. Calculated from data from the U.S. Department of Commerce.

5. "U.S. Jobs Supported by U.S. Merchandise Exports to Mexico," Office of the Chief Economist, Economics and Statistics Administration, U.S. Department of Commerce, May 1992. Estimated for 1991 and 1992 to the Office of the U.S. Trade Representative based on data from the U.S. Department of Commerce.

6. State export information furnished by Office of Mexico, U.S. Department of Commerce, job figures by U.S. Department of Commerce and Office of the U.S. Trade Representative.

7. "U.S.-Mexico Trade: Pulling Together or Pulling Apart," Congress of the United States, Office of Technology Assessment, October 1992.

8. Estimates furnished by U.S. International Trade Commission, based on U.S. Department of Commerce data.

9. "A Budgeting and Economic Analysis of the North American Free Trade Agreement," Congress of the United States, Congressional Budget Office, July 1993.

10. Office of the U.S. Trade Representative based on data from the U.S. Department of Commerce and the U.S. Department of Labor.

11. "Economy-wide modeling of the Economic Implications of a FTA with Mexico and a NAFTA with Canada and Mexico," U.S. International Trade Commission Publication 2508 and 2516, May 1992.

"A Budgetary and Economic Analysis of the North American Free Trade Agreement," Congress of the United States, Congressional Budget Office, July 1993.

North American Free Trade: Assessing the Impact. Nora Lustig, Barry P. Bosworth and Robert Z. Lawrence (editors), The Brookings Institution, Washington, D.C. 1992.

12. Based on U.S. merchandise trade data from the U.S. Department of Commerce.

13. Estimates provided by the U.S. International Trade Commission based on U.S. Department of Commerce trade data.

14. "Administration statement on the North American Free Trade Agreement," July 1993 (Available from the Office of the U.S. Trade Representative, Washington, D.C.).