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NAFTA [North American Free Trade Agreement] [Folder 4] [5]

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Page	Book says	Reply
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.
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.

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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. Rather we attempted to determine whether or not transnational investment provided a <u>context</u> for job loss resulting from major layoffs or plant closings." There are, of course, many reasons for closing a plant other than relocating jobs abroad.
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 net ? 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.

Prob'bly yes

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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.
45, 68	"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."	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.

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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 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. In the U.S., labor by assemblers accounts for about 8 percent of total production and shipping costs of a Ford Escort, while in Mexico it is 1.5 percent. 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 Michigan ($9,180 compared to $8,770).** U.S. auto companies and workers will both gain under the NAFTA.
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 export growth since 1987 has been for Mexican consumption and not for re-export.

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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.'	Under the Maquiladora Program, the U.S. levies tariffs (import fees) on the value added to goods produced in Mexico using components produced in the U.S. The U.S. is thus only agreeing not to charge tariffs on the value of the components produced in the U.S. There is no U.S. subsidy to Maquiladoras. The Mauiladora program will be phased out under NAFTA.
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 efforts 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. 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.

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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.
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 in there world (Canada is the largest) but ahead of every European country. Moreover, Mexican consumers thirst 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.

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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.

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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. Similarly, the July 1993 report by the Congressional Budget Office (CBO) noted that while <u>net</u> increases in U.S. employment of 35,000 to 170,000 due to NAFTA have been forecast, NAFTA's contribution to total U.S. employment is expected to be negligible (page 84). 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 (page 86). 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." (page xv)

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66		Perot/Choate confuse net job creation and gross job turnover. The CBO quote they cite refers to gross job displacement over a decade due to increased U.S. imports from Mexico. The CBO report goes on to say that this displacement is relatively small when "viewed as part of a larger, dynamic labor market in which nearly twenty million workers were displaced . . . during the 1980s." Almost all studies conclude that NAFTA will, on net, create jobs in the U.S., especially given that the U.S. is projected to run trade surpluses with Mexico for an extended period under NAFTA. After reviewing such studies, the same CBO report that Perot/Choate cite concludes: "NAFTA would increase total employment in the United States" (p. xv). 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. 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."

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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.

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Pages 66-67 Continued	"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."	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. 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."

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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 because of high Mexican barriers to U.S. made products or provisions requiring 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.

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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. in 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.

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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 comment on page 45 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 have 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. As cited earlier, labor is about 8 percent of the costs of production of a passenger car in the United States versus 1.5 percent in Mexico. Not only is labor a small fraction of costs, but U.S. producers in the United States save enough in non-labor costs in the United States to make the United States a cheaper production location than Mexico. 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.
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	"Myth 5 - Mexico is a Vast Market for U.S. 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.

	Book says	Reply
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 man 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.

	Book says	Reply
69-70		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. According to U.S. government statistics, American exports of capital goods to Mexico have <u>fallen</u> from 40 percent of total in 1986 to 33 percent in 1992. The reason for this relative decline of U.S. capital goods exports to Mexico has been that all other major end-use categories of exports to Mexico have been growing fast. 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 were 39 percent of U.S. exports to the world in 1992 versus 33 percent of U.S. exports to Mexico. Such exports —whether to Mexico or to the rest of the world— support production

	Book says	Reply
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 remove of its substantial barriers against the export of U.S. goods and services.
Page 70 Continued		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.

	Book says	Reply
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 employment 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.

	Book says	Reply
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 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 to 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." Interesting, the Economic Policy Institute, so heavily (and favorably) cited in the Perot/Choate book has come out with the same conclusion. 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 other studies other scenario.

	Book says	Reply
72	In what he calls "Myth 8", Perot argues that the Administration's estimate that 400,000 jobs will be lost if NAFTA is defeated is nonsense.	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)." The Administration stands behind its statement, considering it much 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.

	Book says	Reply
74	"Myth 9 - Rejection of NAFTA Is a Rejection of Salinas."	This myth is a red herring. Two American Presidents have 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. NAFTA is good for American workers and NAFTA is good American foreign policy. As Mexico grows economically, 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."	[ ] 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.

	Book says	Reply
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 use -- into Mexico is 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."	Owning a factory in the U.S., Canada or Mexico will create jobs and get products made that can qualify for preferential treatment in NAFTA countries. 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.

	Book says	Reply
80		Customs is already increasing manpower and expanding its facilities on the border. More importantly, Nafta provides that Mexican or Canadian exporters that violate US 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 tell the difference between shirts made in China and those made in Mexico.
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 US 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 tell the difference between shirts made in China and those made in Mexico.

	Book says	Reply
81	"Mexico kept energy off the NAFTA negotiating table "for the most part."	In addition to the major accomplishments cited, the book fails to mention that Mexico agreed to: o subject its energy and petrochemical sector to sweeping 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.
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."	Misleading. Indeed, a bizarre argument. The U.S. and Canada both already export wheat and corn to Mexico, and both also subsidize production of those commodities. [check Canadian corn exports. It may only be Canadian wheat.] NAFTA will lower Mexican barriers to grain imports and will increase the market for both the U.S. and Canada, and so potentially will benefit both countries. In particular, U.S. corn exports to Mexico are projected to rise a lot under NAFTA. NAFTA has no effect, pro or con, on our ability to compete with Canada in Mexican or world grain markets. Agricultural subsidy issues were explicitly left out of the U.S.-Canada free trade agreement, and are currently being negotiated on a multilateral basis under GATT.

	Book says	Reply
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." Furthermore the NAFTA explicitly recognizes the right of each country to establish whatever levels of protection from risk that country deems appropriate. The NAFTA is specifically drafted to ensure the ability of each country, including its state and local governments, to maintain stringent environmental, safety and health standards that it considers appropriate. 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	Reply
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 change at the Federal level and <u>no</u> change at the state level. Instead 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 the 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. That is why our advisory committees generally endorsed the procurement chapter of the 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

	Book says	Reply
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 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.
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.

	Book says	Reply
87	"NAFTA allows Mexico and Canada to protect certain industries and to exclude U.S. investors (both individuals and corporations) at their discretion."	This statement is misleading. The distorted interpretation of the investment chapter fails to note 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.
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.

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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.
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.

	Book says	Reply
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 are unavailable. Current U.S. immigration law is the basis for our Temporary Entry Visa 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, a group whose qualifications are similar to NAFTA Professionals (discussed below), existing U.S. immigration law does <u>not</u> apply numerical limits to persons admitted under NAFTA. Business Visitors, Traders and Investors, and Intra-Company Transferees are currently 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.

	Book says	Reply
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."	These statements are incorrect. 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.

	Book says	Reply
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.

	Book says	Reply
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" reversed. The commitments made to streamline visa 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. At the urging of the Labor community, changes from current law have been made to provide additional protection for persons employed in the United States including a provision to <u>deny</u> admissions of individuals who would enter to adversely affect the outcome of an American strike or lock out.

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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.

	Book says	Reply
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] majority of these [binational] panelists must be lawyers -- a job protection provision conveniently inserted by the U.S. lawyers who negotiated NAFTA."	This statement is inflammatory and largely ignores the reasoning behind this provision. An individual must have a "general familiarity with international trade law" to be selected as a panelist. NAFTA Annex 1901.2.1. Lawyers are trained in the interpretation and application of laws. Therefore, the U.S. government officials who negotiated NAFTA wanted to include a majority of lawyers, and more specifically, judges and former judges, on all panels to ensure that U.S. laws are properly interpreted and applied. NAFTA Annex 1901.2.1.
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.

	Book says	Reply
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. Moreover, 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. The phone number is 202-482-5438. Their address is 14th and Constitution Avenues, N.W., Room 2061, Washington, D.c. 20230. The roster of panelists is notified to Congress each year and published annually in the Federal Register.

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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 NAFTA -- 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.
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..."	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, such as the United Nations. 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, and independent panel of experts will 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 charge 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 <u>will</u> <u>not</u> alter the essential nature of the process.
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 environmental infrastructure. That will help us in two ways: our border communities will benefit, and the U.S. companies, who are among the best in the world, 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.

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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.
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.

Page	Book says	Reply
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

Page	Book says	Reply
Page 102 Continued		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 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.

Page	Book says	Reply
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.

Page	Book says	Reply
103	"At a minimum, any Congressional mandate for a new round of trade negotiations should include the following ten basic principles."	While this section is lacking in specifics, the principles articulated by the authors are certainly worthwhile. The Administration believes that the NAFTA, strengthened by the supplemental agreements, and the border funding and worker retraining initiatives that will be unveiled, **meets all ten of the basic principles that the authors suggest**: 1. The NAFTA is an important element of **"a coherent, long term U.S. trade strategy."** Mexico is already our third largest export market overall, and the second largest market for U.S. manufactured exports. U.S. exports to Mexico have increased from $12 billion to $40 billion, as Mexico has lowered tariff and non-tariff barriers, despite the fact that significant barriers remain. NAFTA would wipe away those barriers, further increasing U.S. exports and putting an end to a still unbalanced trading relationship with Mexico. Export-related jobs are precisely the kind of high wage, high skill jobs that the Administration is committed to creating and maintaining. Moreover, a strong regional trading block in North America will sharpen the competitiveness of the United States vis-a-vis the EC and Japan, further enhancing economic growth and job creation.

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Wash, DC 20016

What is real problem
Convertible - not just
lip service
Ben + Jerry

Liane -
increased flow of
L-int products
from 3rd W will depress
price of semi-skilled + hence
relat wage of those employed in
L-int inds

50,000 L-wage jobs at
risk as Trade
lib'iz

Opinion

NAFTA: An opportunity for US

JACK DRISCOLL

LAST MONTH, WE HEARD H. ROSS PEROT tell his TV audience that the North American Free Trade Agreement, or NAFTA, was not good for the American public or business as a result of expected job losses.

In contrast to his presidential campaign where he presented numerous charts and graphs on various issues, little information was presented on the potential erosion that would occur and which industries would be in peril.

It is clear from some of his recent statements that he feels that all industries will suffer. This is simply not true.

Up until the mid-1980s, Mexico's severe economic difficulties made it impossible for that nation to pursue economic growth with proper environmental protection. This is no longer the case. The economic growth of the past several years has provided Mexico with the resources and desire to address its environmental challenges.

Mexican environmental agencies, working with their counterparts in developed nations, have enacted environmental laws and standards comparable to those of the United States.

These reforms, coupled with increased enforcement funding, have led to steadily stronger and increasing levels of environmental protection and enforcement.

Everyone agrees that the Mexican economy will expand if NAFTA passes. The improved economy will make environmental improvements easier to absorb.

And that could be a boon to Massachusetts companies. The environmental services industry in this state currently comprises about 1,500 companies, employing about 55,000 people, and generating total revenue of about $5.5 billion.

Mexico could be a lucrative market for these companies.

As Mexico has stepped up the pressure on industry to meet environmental standards or face stiff penalties, tremendous demand has been created for environmental technology and services in Mexico. The US Department of Commerce estimated the Mexican market for energy and environmental equipment and services to be worth $1.7 billion in 1990.

Another US government report estimates that the Mexican market for air and water pollution equipment alone is worth $167 million.

These impressive market figures are supported by our experience at HNU Systems. Our sales of environmental monitoring equipment to Mexico have increased to $2 million last year from $50,000 in 1991. These sales have resulted in the creation of high-wage, high-skill jobs in Massachusetts. We have just been informed that we will receive an order for $1.5 million as soon as World Bank funds are released.

As economic growth, modernization and increased environmental protection continue, Mexico's demand for environmental technologies and services is expected to grow. While worldwide demand for environmental goods and services is expected to grow at 7.5 percent yearly through the 1990s, Mexico's annual demand is expected to grow at nearly twice that rate.

In fact, Mexico is one of only two countries in the world expecting more than 10 percent annual growth in demand for environmental technologies and services. In certain sectors, such as water pollution treatment, sales are expected to grow at a phenomenal 20 to 25 percent annually.

US environmental companies are not the only ones to have observed the potential of the Mexican market. While US firms presently control nearly 50 percent of the Mexican import market for air and water pollution equipment, other nations are stepping up their competition.

In particular, Germany and Japan are marketing their equipment in Mexico with increasing vigor and success. European and Japanese environmental technologies and service firms enjoy substantial financial backing from their governments, allowing them to package their products together with low-interest loans. Increasing competition means US environmental technologies and services firms need every possible advantage – which is exactly what NAFTA would provide.

Recently, I was one of the representatives of 125 small businesses invited to the White House to a briefing on NAFTA. The briefing revealed that the opposition to NAFTA is strong. There are environmental and labor concerns – and then there is Perot. (It is interesting to note that Perot's son who is working on a private cargo airport in the Dallas area is strongly in favor of NAFTA.)

The issue of the environment is a complex one and NAFTA's defeat could easily be more problematic than if it is passed. Some labor groups and Perot feel that every manufacturing job in the US will move south of the border. In terms of high technology firms moving their production to Mexico, I don't believe that this will happen. HNU is a high tech manufacturer and during the past five years, we have redesigned all those products which had a high labor content and increased the amount of computerized testing and automation. Our labor costs now are a very small percentage of the total cost of the product. This same phenomenon has happened throughout the high tech industry and it has made our US high tech industry very competitive on a global basis. Clearly, there will be some movement of the low skill, low wage jobs. These jobs might be lost even if NAFTA doesn't pass.

As US environmental technology and services firms increase their sales to Mexico, they will be creating high-wage, high-skill jobs. Increasingly, in New England's high tech corridor and regions dependent on the defense industry, are looking to convert their production to environmental technologies and services. Growth in this sector, however, will only be possible if our industries can capitalize on key market opportunities such as Mexico.

NAFTA offers the United States a unique opportunity – to do well by doing good. NAFTA will give US environmental technologies and services firms a marked advantage in one of the world's fastest growing markets. We will simultaneously be creating jobs and immeasurably improving Mexico's environmental quality. That's a pretty good deal all around.

Jack Driscoll is president and chief executive officer of HNU Systems Inc., a Newton environmental services firm.