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## The North American Free Trade Agreement: In Whose Best Interest?

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## ROUND TABLE DISCUSSION

### THE NORTH AMERICAN FREE TRADE AGREEMENT: IN WHOSE BEST INTEREST?

**Held October 17, 1991, at Northwestern University  
School of Law by the *Journal of International Law  
and Business*.**

On October 17, 1991, the *Journal of International Law & Business* hosted a round table discussion on the implications and impact of the proposed North American Free Trade Agreement. This discussion focused on the implications of free trade between the United States and Mexico. Five panelists from a variety of Chicago institutions and organizations discussed their personal and institutional perspectives regarding the proposed Agreement.

Participating in the round table were Dr. Alejandro Carrillo Castro, Consul General of Mexico; Ruben Castillo, an attorney with the firm of Kirkland & Ellis and an active member of the Chicago Mexican-American community; James Cotton, Associate Director, International Business Development, George Muñoz & Associates; Don Turner, Assistant to the Director, Chicago Federation of Labor; and Dr. Don Wiener, Director, Fair Trade Campaign, a coalition of environmental, religious, labor and consumer organizations working on trade issues. The panel discussion was introduced and moderated by Kenneth Abbott, Professor of Law, Northwestern University School of Law.

International trade policy is an increasingly important and contentious issue in the current presidential and congressional election campaigns. The *Journal of International Law & Business* is pleased to produce the transcript of the North American Free Trade Round Table in the interest of expanding the debate over the benefits and costs of free trade.

PROFESSOR ABBOTT: Thank you. Welcome everybody, and let me introduce the panel to you quickly. First, in the center is Dr. Alejandro Carrillo Castro, the Consul General of Mexico. To my right is Dr. Don Wiener, who represents the National Fair Trade Campaign; and Don Turner, who represents the Chicago Federation of Labor. To my left is James Cotton from George Muñoz & Associates in Chicago; and Ruben Castillo, a lawyer with Kirkland & Ellis and a long-time, active member of the Mexican-American community in Chicago.

It's hard to keep a law professor quiet for long, so I'm going to take a segment myself to give some background for those who are not familiar with the North American Free Trade Agreement. I especially want to say a few words about how we got to the point of having this kind of debate among people, many of whom are not trade specialists at all, as you see. Then I'll turn it over to the panel for their comments.

In general, in the post-war era, international trade has been conducted on a non-discriminatory basis. Goods from all countries are treated the same in terms of tariffs, that is, import taxes, and other kinds of governmental regulations. This is done through an organization and a treaty known as the General Agreement on Tariffs and Trade, or GATT. Under this non-discriminatory trade principle, trade has expanded explosively since World War II and world wealth along with it.

GATT includes an exception for something called customs unions and free trade areas which was put into the original treaty with developing countries in mind. The thought was that some smaller, less wealthy, less well-developed countries might associate in groups to increase their own economic strength. It was not thought of as a very significant exception. In fact, however, it's changed the whole picture of world trade, particularly since the European Economic Community was formed in the 1950s.

The Community was formed for economic as well as political reasons, i.e. to stabilize and try to end the French-German rivalry and to unite Western Europe against the East. But now, the European Community has twice as many members as it did when it was created. A number of other European countries have joined in a free trade area called the

European Free Trade Area which now has its own free trade agreement with the Community. The Community has association agreements with a variety of other countries. East European countries are now trying to join the Community. It has become a massive trade unit.

The United States, which is a kind of customs union and free trade area itself, has been slow to move beyond its own borders in this area. There has been a free trade agreement with Israel for some time, but it is not an agreement of great economic importance. And in 1988, the United States signed a free trade agreement with Canada which was very controversial at the time, especially in Canada, which thought it would be overwhelmed by American economic power. In spite of the controversy, that agreement was approved and is now operational. The Canada Free Trade Agreement, in fact, went well beyond "trade" and opened up investment and the provision of services, and dealt with a number of problems on a bilateral basis that the international community hasn't been able to deal with very well in any other context.

Even at that time, there was discussion of extending this U.S.-Canada agreement to include Mexico, making a North American free trade zone. Canada is the biggest trading partner of the United States. Mexico is the third biggest trading partner of the United States, and of course the United States is among the biggest trading nations in the world. So it was thought that this would be quite an economic powerhouse. It was also thought that there would be tremendous political benefits to this association. The relations between the United States and Mexico have not always been friendly. As you know, there have been American troops in Mexico in this century, massive expropriations of foreign investment, mostly American, in this century, and considerable tension throughout the history of the two countries. Both sides saw a free trade agreement as a way to stabilize U.S.-Mexico relations.

Shortly after President Salinas was elected in Mexico, the two presidents, Bush and Salinas, announced their intention to negotiate a free trade agreement and thereafter to expand it to a three-way association with Canada, to create what we now call the North American Free Trade Agreement, or NAFTA. This announcement was the culmination of a remarkable economic and governmental revolution in Mexico that I suppose the Consul General will tell you about. It has moved Mexico rather quickly from what was a largely nationalized economy, and a very protected economy, toward a market-oriented economy.

The U.S.-Mexico negotiations are confidential, of course, and I don't have any inside information on where they are going or where particular ideas stand right now. However, we can get some idea of what

NAFTA is likely to look like from the U.S.-Canada agreement. This agreement eliminates all tariffs between the two countries, some immediately, and some phased out over as long as ten years. The Canada agreement also limits some important indirect trade barriers, for example, technical standards on products and product designs. These supposedly exist for health and safety reasons, but they may also have protective effects, since products in the other country are not designed to meet our standards. The agreement also opens a good deal of government procurement to companies from the other country. As governments become more active in the market, their "buy national" policies tend to restrict trade even if they don't have any formal barriers or tariffs.

The Canada agreement went beyond trade, as I said, and opened up direct investment by requiring that there be national treatment of foreign investors in terms of establishing, acquiring and running businesses. Either country can regulate corporations however it wants, but it has to regulate native corporations the same way it regulates foreign corporations, and vice versa. The United States and Canada also went beyond trade to open up the provision of services including various kinds of commercial services, telecommunications services, accounting services, computer services, banking services, financial services, travel services, and the like. The general rule is again national treatment. Either government can regulate these activities any way it wants but it has to regulate equally. That means that foreign service providers can come and compete equally in the market.

The Canada agreement also includes a variety of protective provisions. For example, there is a phase-in, so the new tariffs and rules take effect very gradually, on the theory that if it were all very sudden, there might be more economic shock, especially to workers in the market. There are a variety of exceptions in most of the areas I mentioned. There are very carefully worked out and relatively strict rules of origin. The idea here is that the United States, for example, doesn't want to open its borders to products from Canada which are, in fact, made in Japan and just happen to be routed through Canada. You want to open up to Canadian products, so you have to have some definition of what constitutes a Canadian product. The agreement lays that all out. There is also an emergency escape clause for imports that may cause economic harm to the local industry: This provides a way to snap back to the earlier levels of protection, at least temporarily during the phase-in period. Immigration was, to some extent, an issue in the U.S.-Canada negotiations, though not as big an issue as it is with Mexico. The United States and Canada mainly agreed to clarify and relax the rules on temporary visits

by service providers, for example, and by executives from firms that have local investments.

With Mexico, then, I think you would expect to see many of the same areas covered. This would cause a considerable change in the laws of Mexico in particular. I think, though, that you would expect to see less complete changes than in the case of Canada because of the great social and economic differences between Mexico and the United States. Many kinds of government regulation may be more difficult to harmonize, and because Mexico's economy is relatively small and inefficient, it may feel it needs even stronger protective measures.

What brings us to this panel is that the proposal for a U.S. - Mexico free trade agreement has been extremely controversial in the United States. The Canada agreement was somewhat controversial, but nowhere near as controversial as this one. The earlier agreement was controversial in Canada, and there is a certain amount of controversy about this one in Mexico, too, but the U.S.-Mexican relationship has been very controversial in the United States. The issue came to a head about six months ago when the President had to seek Congressional approval to extend a favorable procedure for consideration of the final agreement, called the "fast track" procedure. You may well have heard about that debate last spring.

Some of the controversy in the United States comes from firms and workers groups that fear increased import competition. Quite simply, any kind of market opening causes the need for adjustment in certain industries. People may have to move out of less competitive industries and into more competitive ones, or they may have to revise their operations to become more competitive. A few of the groups who oppose the proposed agreement are what *The New York Times* columnist Peter Passell calls "the usual suspects"; the firms and workers groups that oppose every market opening so as to avoid that competition. Other groups, though, have raised perhaps more serious and interesting issues, and these are the issues that I believe our panel will focus on today.

Many of these issues relate to the fact that Mexico is a much poorer and less-developed country than the United States. For example, wages are much lower, and working conditions — including child labor rules and OSHA-type regulations — are much poorer in Mexico. Worker rights, while they may be protected on paper, seem not to be as well protected in practice as they are in the United States. Consequently, there is some concern that increasing trade in Mexico might end up exploiting workers there. Although considerable advances have been made in the last couple of years, Mexico has considerably lower levels of envi-

ronmental protection — anyone who's tried to breathe in Mexico City is aware of this — than in the United States. Consequently, the concern is that increased trade with Mexico and increased economic activity there may lead to a net increase in pollution. All kinds of firms and workers associations are worried that U.S. firms will move operations south for cheaper labor and the benefit of not having to pay for OSHA compliance, environmental safeguards and the like, exporting jobs and perhaps causing Mexican production to swamp U.S. markets. Finally, any suggestion that increased labor mobility might result from this agreement is met with considerable fear and concern.

At the request of certain members of Congress concerned about these issues, the Bush Administration not long ago issued what it called an "action plan" for dealing with these various issues. A very lengthy document, the plan includes assurances that the kind of transitional or protective measures I talked about before will be included in any agreement, and a promise that there will be some sort of program to help workers in the United States dislocated by imports. It also describes parallel sets of negotiations with appropriate Mexican officials, to be conducted at the same time as the free trade negotiations, on labor issues and environmental issues. Needless to say, the proposals that the Bush Administration has made along these lines are less activist and less interventionist than critics would like. These are basically the issues that are before us today.

So, could I ask Consul General Carrillo to begin with his country's view, and then we'll proceed, perhaps alternating between the people who are supporters of the Agreement and those who are opposed to it.

DR. CARRILLO: Well, I think that I would have the same problem if I had to explain the North American Free Trade Agreement to a group of students in Mexico. That is why I think that it is very important to recall that, whenever something is proposed to change in one country or another, a lot of people are, of course, uncomfortable, because changes are always uncomfortable. We tend to get accustomed to the things that we were born into, and whenever someone comes and says that we have to change or move, it's always very uncomfortable. For instance, we, the Americans, the original Americans on this continent, if we had not been forced to alter our way of life when the Europeans came here and "discovered" us, we probably would have had the opportunity to develop ourselves the way other civilizations in Europe, Asia, or Africa did. But the fact was that at that time, changes in technology and economic development in Europe made it possible for our two worlds to encounter.

And of course, some of the results of this encounter were good, some were bad, but you can not change that now.

You also have to take into account that two hundred years ago, here in America, thirteen colonies established for the very first time, an economic commonwealth. The economic commonwealth that was invented here erased the trade tariffs that previously existed among the different colonies. The new states decided to form a union establishing a single currency, single trade procedures, and simplified things in order to promote free trade. At that time, you were the only ones that benefitted from such an idea. But in other parts of the American continent, particularly Mexico and Latin America, we inherited another political and economic tradition, another system. We became a very centralized government, not in a Marxist sense because Marxism did not exist at that time, but because the Spanish state that conquered our territories was a very conservative and religious state. The Catholic Church and the Spanish kings and queens were at that time the legal owners of everything that existed in the reign. They were the owners of everything in Latin America and Mexico. So, for more than three hundred years, the Latin American countries were colonies of either the Spanish or Portuguese kingdoms. That is why when we became independent, at the beginning of the past century, we developed a very protective ideology; at that time we wanted to remain protected from the expansionism, not only of Europe, but also of the United States.

Of course, in my case, being Mexican, whenever we were told that that kind of expansionism or imperialism doesn't exist in America any more, unless it is Russian imperialism, we had reasons to doubt such an assertion. When the United States thinks in terms of its international policy, it conceives it in worldwide terms, which is understandable, but that's not the case in Mexico. Often I meet U.S. friends who ask me, "Aren't you afraid of the perils and the dangers of military or economic intervention of one country into another?" Well, the only imperialism we have ever known has been, first, the Spanish imperialism and then French and American imperialisms. Half our country was lost in what we still consider an unjust war that was imposed on us almost a hundred and fifty years ago.

That is why we, understandably, have different ways of looking at things in Mexico and the United States. Everything is relative in the world. We Mexicans tend to think of our northern neighbor as a very powerful and sometimes dangerous neighbor in economic and political terms. But the same occurs with Guatemala's perception of my country. When they refer to their "northern imperialistic neighbor" they are re-



ferring to Mexico. That is why Mexico and the rest of Latin America became very protected economies, very nationalistic countries, over the last fifty years. That is not your case because you have never had to fight a war to defend your country here in your own territory. That is why you did not have to be as nationalistic as other countries. Countries like Mexico had to become nationalistic.

It is because of our own peculiar history that we have learned to be aware of these kinds of dangers. Not only militarily, but mostly in economic terms, and that of course also means political terms. That is why we did not enter GATT for so many years, because we thought that it was against our interest being such a small and poor country. But finally, in the midst of the 1980s, we had a government that said, "Look what's happening in the rest of the world." We can no longer deny the fact that the world has become a global economy. If we look around we will see that even Europe, with countries as nationalistic as ours, is becoming a common market. And their peoples don't speak the same language, they have different national histories, sometimes even were on opposite sides in various wars. In spite of that, they have finally realized the fact that, in order to be economically competitive worldwide, they have to establish what the United States managed to establish here, in this hemisphere, 200 years ago: A common market. We see it also happening between Japan and its Pacific Rim neighbors, even without the formalities that we are discussing among ourselves. They are already profiting from a kind of production-sharing process with Singapore, Korea, Taiwan, etc.

It was for these reasons that our generation in Mexico decided, "Well, let's give it a try, let's turn to an open-market economy; let's join the GATT." Even though lots of Mexicans, as is the case of the United States, are afraid of changes, we were determined to try and become an open-market economy. We then started to think of a free trade agreement with the United States, only to be astonished that it was here in this very United States, and after we had agreed to become an open economy, that some interest groups were acting as nationalistic and as protectionist as we were perceived as a country for more than seventy years. It's rather odd for us to see that. When we knock at your doors and tell you, "We have finally convinced our people to become an open economy," these U.S. groups say, "Well, that's fine for you but not for us because we have now decided to become a closed economy ourselves."

So, it's kind of odd. It is also odd for us that, only four or five years ago, some people here in the United States thought that Mexico had a kind of Marxist economy, or that we had a socialist-oriented government

because of our nationalistic economic policies. And now, all of a sudden, they are the same ones that say our labor laws are not as protective as they should be. They say they are acting to protect our workers, because what were once called excessively protective and quasi-socialistic labor laws are not as protective as they once were deemed to be!

We, too, are very worried in our country about protecting our environment. We are the ones who are going to suffer the results of environmental pollution. Our children are the ones who are going to suffer the consequences. That is why it is incredible for us to hear that all of a sudden we have so many champions here in the U.S. who offer to protect our labor force and our environment.

I know that there are certain normal, and I must emphasize normal, reactions to any change that is proposed to alter the status quo in any country, regardless if it is Canada, the United States or Mexico. There are people who would prefer to think that even if the whole world is changing, the United States or Mexico doesn't have to change. That it would be better if we were to become an island, or in the case of Mexico, not as close as we are now to the United States. That it would be better for us to be located in the southern tip of Latin America, so we wouldn't have to share a border with the United States, probably one of the largest borders in the world. Moreover, there are some that would have preferred Mexico to be the "rich" neighbor instead of the "poor" one.

But I think that almost everybody has to accept that in order to really become or even remain competitive in a worldwide economy, even the United States, which by the way, as I have said, invented the first economic common market, has to establish these new kinds of production-sharing processes with other countries and profit from the resulting economies of scale.

That is why I am used to, and I think that all of us have to get used to, discussing the pros and cons of the changes that are going to happen in the world in which we are living. And I'm not surprised at all to hear opinions that touch both extremes. It's only normal in these cases.

The only thing that I want to tell you at this time is that in Mexico, we think that these changes are going to happen, and that they are going to be costly for some sectors of the economy, especially for the ones most protected in the past. That's why there are discussions, right now, precisely on the part of such groups or economic sectors.

We cannot open the economy without effecting changes within those different sectors that up until now have remained highly protected. But it is also true that we have to establish certain multilateral or at least regional agreements, like the ones Europe and the Pacific Rim are estab-

lishing, if the North American countries want to remain competitive in a worldwide economy. That is all I would like to say at this time.

PROFESSOR ABBOTT: Thank you very much. I would like to ask Don Wiener to speak next, and for my own purposes, as well as everybody else's, I think it might be advantageous if we started by identifying the National Fair Trade Campaign.

DR. WIENER: The National Fair Trade Campaign is a coalition of environmental organizations, family farmers, religious and social organizations, and labor unions, who come together around the country, not to oppose necessarily the North American Free Trade Agreement or the Uruguay Round (the current round of GATT negotiations), but to do an analysis to raise concerns about these trade agreements, particularly with respect to labor rights, human rights, and environmental, health and safety issues. We try to encourage a dialogue among different constituency groups or interest groups in different cities, and then communicate with our Congress about those issues.

About eight years ago, I was in this very same room debating a representative of the Reagan White House domestic policy staff on the issue of energy price deregulation. I was for maintaining controls on natural gas; I was opposed to change. The Reagan White House was supporting energy price decontrol, and after a few years of fighting and organizing a lobby around the country, my side won that fight. I don't view the current debate around NAFTA or the current Uruguay Rounds of GATT as that kind of debate, zero-sum, where one side wins and one side loses. The purpose of our coalition's activity is to try to encourage discussion, not just in the United States, but trilaterally, with Canada, and with Mexico, to try to use this free trade debate to come up with alternative suggestions as to how we can reduce trade barriers and at the same time either protect or improve human rights, labor rights, environmental standards and the like, not just in Mexico, but in all free countries. Our goal is to have all three countries improve their standards at the same time.

We're very concerned, given the debate that's occurred so far in the U.S. Congress as well as the information we have received with respect to what's occurred in the first round of the trilateral discussion (they opened at the end of August in Seattle and the next round begins in two weeks in Mexico). We're very concerned about the process here domestically, and we're also very concerned about some of the issues that are being discussed. I would take no exception to the issues that the General Consul raised, the way he framed the issue, certainly, in its broad sense. It's hard to be opposed to reducing trade barriers. It's hard to be op-

posed to a country that historically has been protectionist and is now choosing to open its borders and to look forward. You can't take exception to the issue when it's discussed theoretically or ideologically; the only way to have a rational debate is to look specifically at what's being discussed. This is hard, because at least with respect to NAFTA, less so with GATT, the discussions are secret negotiations.

So the question is, how do we raise issues, and how do we become concerned? We can begin to guess what will be in the agreement by looking first at the Canadian Free Trade Agreement, concluded, as Professor Abbott mentioned, two years ago. With respect to environmental issues, and unfortunately health and safety issues, a lot of U.S. environmental groups were not monitoring the Canadian Free Trade Agreement. The Canadian environmental groups were monitoring the Agreement and urged U.S. environmental groups to pay attention to what the Free Trade Agreement meant for health and safety and environmental standards. Now, only in the wake of the Agreement, as it begins to be implemented, are we discovering what free trade might mean in this new world order.

We can look at a few issues specifically. First, the Canadians still mine asbestos. Canadians are still the largest producers of asbestos. We stopped producing asbestos in this country some time ago, and we are very aggressively trying to remove it from our ceilings. The Canadian government provides subsidies to the asbestos mining industry to encourage that industry to continue mining, for fear of the loss of jobs if they shut down the Canadian asbestos industry. The Canadian government also provides money for the promotion of asbestos in less developed countries. Thailand, for example, is a large buyer of Canadian asbestos; to environmentalists, of *any* stripe, it is ironic that in 1991, the Canadians, who otherwise have a good image on the environment, are promoting the use of asbestos as a building material. Certainly here in the United States we're well acquainted with the dangers of asbestos, such as asbestosis. It's predicted, largely by the plaintiffs' bar and by the plaintiffs' bar studies, that 200,000 Americans will die from asbestosis by the year 2010. It may not be 200,000 Americans that die indirectly or directly from asbestos, but a large number of Americans have died and continue to die.

Under the Free Trade Agreement, the Canadian asbestos mining industry has filed a suit against the United States demanding access to U.S. markets to be able to sell asbestos. The Canadians claim that under the Free Trade Agreement, our laws prohibiting the use of asbestos as a building material are a non-tariff trade barrier. Additionally, the Canadian government has filed an amicus brief as a friend of the court in

support of the Canadian mining interests. That's what's happened in the wake of the Free Trade Agreement in Canada.

This is something that people on both sides of the border, environmentalists and others, had no idea was going to occur. Because under free trade and free trade discussions, we're seeking to remove these non-tariff trade barriers. No longer are we looking at targeting simply tariffs as a trade barrier, but we're also looking at trying to remove environmental laws and health and safety laws that may pose a barrier.

Additionally, the Canadians, at least the Canadian paper and pulp industry, take great exception to the laws that we have in the states and cities around the United States requiring that a certain amount of government procured paper include a percent of recycled paper or recycled fiber. The way we try to encourage recycling, of course, is by creating a market for it. One of the best ways to create a market for recycled materials is to force government through its procurement to demand a certain content of recycled fiber. The Canadian timber, paper and pulp industry is a very powerful interest group in Canada and it has discouraged the creation of a recycling industry in Canada. Similarly, there is no recycled fiber in Canada, and there is little such industry. Here in the United States, our paper pulp industry is producing paper that has a high percentage of recycled fiber. The Canadians are claiming that our local and state recycling laws are non-tariff trade barriers. We cannot demand that Canadian paper and pulp firms that want to sell paper and pulp to local and state governments, large purchasers of that paper, adhere to the same recycled paper standards as we do in our domestic industry. This is another example.

The final example with respect to Canada is that we keep a lot of Canadian beef out of the United States. This has long been a sore point with the Canadians. We inspect it at the border and we frequently turn it back. Not only do we have meat quotas, but even under the quotas we turn back Canadian meat because we claim it doesn't meet U.S.D.A. standards. Under the Free Trade Agreement with Canada, each country gets to inspect its own meat. If that country approves the meat under its own inspection program, that means it's eligible for export and the receiving country has difficulty keeping it out. A number of environmental groups are compiling reports of tainted meat, tumor-laden meat, unhealthy and rotten meat coming into the United States. There will soon be a series of press conferences in border cities holding up this meat for inspection by the U.S. public. Thus, we can look to the Canadian Free Trade Agreement to get some sense of the issues that we fear are not

being fully debated with respect to the North American Free Trade Agreement.

The second arena we look to in order to determine what might be discussed in the North American Free Trade Agreement is GATT. The current round of GATT is the Uruguay Round and the latest word according to international financial papers is that we will have a new GATT agreement sometime in the middle of November. [Editor's Note: Arthur Dunkel, Secretary General of GATT, issued a "final" GATT text on December 20, 1991. This text is the basis for on-going negotiations by GATT signatories.] In that GATT agreement, they're going to address, as was mentioned in the introduction to this session, the need to harmonize some international environmental and health and safety standards.

Harmonization means trying to come up with common health, safety and environmental standards among trade partners. At face value this seems to be a good thing. The Europeans in particular, as well as less developed countries, are very concerned that the advances we have made in the United States in terms of creating a body of environmental and health and safety laws, will now begin to pose non-tariff trade barriers to the introduction of other goods and services to the United States.

The Uruguay Round agreement contains language, contained in the draft GATT documents, that would force reduction of, for example, U.S. pesticide standards. For a long time European countries, as well as a number of other countries, have taken great exception to our pesticide standards. They say that those standards are too low, in other words, that we did not allow enough pesticide residue on fruits and vegetables and other agricultural products in the United States. The Europeans are arguing that we should accept the standards imposed by CODEX, the acronym for an international U.N. sponsored scientific and technical advisory group in Rome. The standards allowed by CODEX, that is, the residues allowed on fruits and vegetables and other agricultural products, are considerably higher than we allow here in the United States. For example, CODEX allows DDT, heptachlor, chlordane and organochlorines that amass in fatty tissues. These organochlorines are responsible for causing the extinction of the brown pelican, the great condor, and a number of other wildlife species. These organochlorines also amass in our fatty tissue and we all have these organochlorines. We have moved very aggressively in the environmental movement in the United States to try to reduce the sheer ubiquity of these pesticides in the U.S. agricultural market. The Europeans want to try to force down our standards.

Not uncoincidentally, the technical advisors to the U.S. trade nego-

tiators at GATT as well as the technical advisors to the U.S. negotiators under NAFTA, come from the very same companies that we have been fighting in the Congress for the last twenty years on these health, safety and environmental standards. Food companies like Quaker, Ralston Purina, and Cargill want to be able to ship their products globally without having to adhere to different standards in different countries; they have been the ones that have been successful in helping draft this language in the Uruguay Round of GATT.

Now we find out in the first round in Seattle, and this is according to the Mexicans, not the U.S. trade negotiators (the Bush administration trade negotiators will not talk to non-governmental organizations but the Mexican trade negotiators will— they are not terribly revealing, but they are more revealing than our own government is), that the language they want adopted with respect to pesticide standards is CODEX. In other words, they want to accept the new international standards as the standards between the United States and Mexico. That poses great concerns, for example, to consumer groups in Texas who are used to testing Mexican fruits and vegetables which are pesticide laden. Now there may be good reasons why Mexican farmers use more pesticides than the United States and those reasons are of great concern. We should attempt to provide technical assistance through multilateral arrangements to try to assist Mexicans or any governments who want to try to reduce the use of pesticides. We need to prevent a reduction of U.S. environmental standards under these international trade agreements.

There are many other things that I could say, many other issues that are of concern to environmental, health, safety and human rights, and labor rights groups. Many labor rights groups are concerned about the lack of genuine labor rights in Mexico. The CTM, the Mexican Federation of Labor, is really just an arm of PRI, the ruling party of Mexico. There is no real opportunity to create independent unions in Mexico. For those of you that are interested, I can provide you with substantial documentation on the role that the CTM together with PRI has played in trying to quash attempts to create an independent union.

There are also considerable concerns about human rights violations in Mexico, and I don't want to sound like the gringo saying, "Well, we shouldn't trade with Mexico because they don't adhere to the standards that we adhere to in the United States." That's not the issue. The issue is that in country after country, we find that when the multinationals increase their economic activity in a particular country, they then become allies in that country in trying to suppress dissent, or trying to suppress concern about human rights violations. This certainly has been

the case in Central America where, as any of you who have been involved in Central American causes know, frequently the multinationals will complain to the State Department when you raise concerns about human rights violations in those respective countries.

So we have considerable concern that we're moving ahead with this trade agreement without discussing the implications of increased activity by U.S. multinationals in Mexico, and what that will mean for trying to reduce human rights and labor rights violations in Mexico. I will conclude by saying that just three weeks ago, Amnesty International released a report on human rights violations in Mexico. That report is available through the Amnesty office here in Chicago. Again, as in previous Amnesty reports on Mexico, the report documents substantial human rights violations, extra-judicial torture, and other human rights violations that I'm sure all of you are familiar with in respect to other countries. I'll just stop here, and give other presenters a chance.

PROFESSOR ABBOTT: Great, thank you. James Cotton?

MR. COTTON: First, I just want to disclose that I am not a lawyer, so don't go making a case against me.

I want to address a couple of issues that were brought up earlier. First, I think it's important for people to understand the concept of fast track in the context of the trade agreement, and what the purpose is, since this is obviously a controversial issue to many people. The concept of fast track says: We'll get the experts together to negotiate on the matter with their respective nations. Whatever we come up with we will submit to Congress; they're going to vote yea or nay. This way we avoid a thousand public interest groups hacking it up from three different countries, so that we end up with nothing, or something worth less than what we have now. This may seem evil, taking the result of negotiations and imposing them on the business and labor communities and the public at large, but it is the most practical way to get a true free trade and fair trade package together.

American ingenuity has been a generator of jobs in the United States and throughout the world for decades. Americans are creative, hardworking innovators. We develop new products, new production methods, new technologies. Then, unfortunately, we think that the rest should be easy— "Now let's enjoy the fruits of our labor. Let's just crank out the products and reap the profits." But business requires attention, constant attention, constant involvement, and attention to detail. That part isn't fun, it isn't creative, and it doesn't have an exciting payoff. We get bored, uninterested, and then we get lazy, sit back and let other



people steal our ideas. Basically, they follow the U.S. model. We see that time and time again.

After World War II, we saw the American management theorists go to Japan and say, "Sorry we blew you up, but we'll help you rebuild your industry, and we will take the best of American economic management ideas and help put together an economy that will work." And they said, "Fine." The Japanese are tremendous imitators. They took our ideas and refined them even further, and when we sat there and scratched our heads in the 1970s and 1980s, we said, "Why are people buying Toyotas instead of Chevrolets? I don't understand." But we do understand. It's just that we get lazy, and sometimes an easy reaction to the laziness is to put up a block or barrier.

The concept of free trade versus protectionism is to correct those barriers. It's a heck of a lot easier to say to somebody, "No, you can't import cars," or "No, you can't import ceramic tile," or whatever the case may be, "Because I said so," as opposed to finding a consumer who will say, "Well, I like this product better than that product, so let me choose what I prefer to buy." Protectionism tilts the playing field in favor of the home team. But in all economies, you can look in the short term and the long term. In the long term we're dead. In the short term, it protects markets for a little while, but capital and economies are fluid and people will find ways around whatever barriers we erect. Mexico came to that realization, and it seems like the best way for us to grow is for our economy to become linked and further integrated into the economies of the world, because if we look at the successful models, that is what we see.

Americans generally like competition. I know it was mentioned earlier that conceptually it is hard to argue against this as an idea and there are specific incidents, as in any debate, where you can pick on specific areas of disagreement, and there will be difficulties. Ideally, the creation and expansion of a free trade area is excellent. Currently, the three-way trade deal with the United States, Canada, and Mexico is good. The Canadian Free Trade Agreement has helped recession-proof our economy. There are several economists who have said that we would have about a point lower gain in GNP if we didn't have this free trade agreement with Canada.

What does the free trade law do? Well, it lowers tariffs, it simplifies standards, and attacks a lot of non-tariff barriers which are really what make dealing with other countries difficult. For example, we have experience exporting equipment to Mexico. Sure you are allowed to export, sure you are allowed to import into Mexico, but you need a permit. And

you can't get a permit unless you have a company. So it's been difficult and the same thing exists in the United States. As I've said before, this exists all over. We're simply trying to say, let's eliminate all those things and help the small or medium business person get at those markets and not have to go through all this complex rigmarole to get things done.

Why are we interested in free trade with Mexico? Well, our economies are really complementary. They are not in direct competition. Most studies indicate that while there will be some displacement and there will be painful adjustment, no one can deny that there will not be widespread increases in imports in direct competition with U.S. goods. Mexico provides us with tropical products and machinery. We export capital goods, high-tech equipment and temperate vegetables. There is already a fair amount of trade in those areas. Complementary products generally means that you can exploit gains in efficiency and economies of scale.

One of the problems in the U.S. market is that we are an aging economy. We're coming up with all sorts of wonderful Geritol-type products to sell to Americans. The Mexican economy — because 56% of Mexicans are under the age of thirty — is definitely a growing economy. The Policy and Economics Institute in Washington D.C. has said that Mexico is going to be the fastest growing economy in the 1990s. When we do business with Mexico, either in the private or public sector, I am always stunned by the fact that a lot of the people I am working with are in their late twenties or early thirties and are in very advanced positions, because the bulk of the population is made up of those people. The United States has a different demographic profile.

What would happen if we had no tariffs? Mexico, in its admission to GATT, has gone way beyond what was required, way beyond in a positive sense. In their admission to GATT they were allowed to maintain tariff levels at a 50% level: A \$1,000 refrigerator would get a 50% tariff, or \$500 tax on it, coming into Mexico, which would make it uncompetitive with local products. But Mexico has unilaterally lowered its tariffs in many cases, from the 100% range down to a maximum of 20%, and with most goods to 10% or 5%. In the United States on average, we are looking at a 3% or 4% tariff on goods. And NAFTA would just bring everybody in line, say, with the American economy, and most probably these changes would be phased-in. We are talking about fairly long time periods; ten years, to help avoid shocks to the economic system. That allows people to say, "O.K., wake up — I have to be more competitive because I do not have that 40% or 10% price differential built in to protect my markets."

If we go forward with this trade agreement, following the concept that capital is fluid in the long term, there will be a lot of concern about plant closings in the United States. One opportunity, however, that we have been able to exploit in the U.S.-Mexico relationship is the maquiladora program: Production-sharing, or in-bond production facilities in Mexico. We can produce joint production-sharing facilities where part of the assembly is in Mexico and part in the United States. The reason we can do that is simply the cheaper operation and management capability of being a couple of hours away from Monterey or Reynosa, both manufacturing cities in Mexico, as opposed to being eighteen hours away from Taipei, Taiwan or twelve hours away from Poland, or somewhere in Europe. While there are cultural barriers, and we are of a different demographic make-up, there is starting to be very strong integration. There is a large Mexican-American population, and Hispanic-Americans are the fastest growing sector of the U.S. population. It is much easier for American business to say "I'd like to find some people who are bilingual who can help me manage the facility or manage import and production back and forth across this border;" that is a heck of a lot easier to find than somebody who is bilingual in English and Polish.

These economic shifts I think are inevitable and will occur. If we don't go the route of production-sharing facilities, a lot of firms will move their entire operations rather than portions of them because they feel like, "If I am going to move halfway across the globe I am going to move the whole thing and have everyone right there."

With respect to the environment, most capitalistic economies look at the environment as something to be exploited, something to be used. All of the economies of the western world have gone through this development phase. The United States did a lot of horrible things and then we kind of woke up and said, "Hey, let's stop this, let's impose some rules, and not only that, let's get up on a really high chair and tell everyone else these are the rules that we set and you guys have to follow them, too." Well, we have these environmental groups claiming the deforestation of the rain forest in Brazil. I don't particularly like it either, but I think economies like Brazil's must have access to natural resources to be exploited.

Mexico has been forced to accelerate its development with respect to these environmental issues. In many instances there was very strong resistance to change, but they have forced the change.

A stronger economy allows them to do just that. The Mexican government, for example, very recently closed down a major refinery in Mexico City that was polluting. They didn't say, "We're going to fine

you;" they didn't say, "You have five years to clean up your act." They just said, "That's it, done. You are going to fix it, or you're going to dismantle it and move it somewhere else, or modernize it and clean it up."

They have also passed laws to add catalytic converters to all automobiles. All these things take money. Now, in their efforts to protect, they've also used creative solutions. For example, to minimize auto pollution until cleaner emissions standards are developed, they said that depending upon the license plate digits of your car, you could not drive your car on certain days in Mexico City. Now, I was a victim of that last month. We wanted to go out on Friday night and we couldn't take the car because it had the wrong digits on the license plate. So we walked instead of riding. There is also fairly strong support from the public for these programs.

With respect to the impact on employment, I was looking for statistics yesterday and today on the "definitive" answer. I don't think there is one. I know of four or five different economic studies that range from a loss of 260,000 jobs in the United States to a gain of greater than 300,000. And they are all from respectable firms.

There will be shifts and there is this definite difference between cost of labor in Mexico and the cost of labor in the United States. Currently, a maquiladora production facility in Mexico will pay about the equivalent of, with salary and benefits, about a dollar an hour. From the Mexican laborer's point of view, that is a heck of a lot better and higher than 1) the substandard employment that is offered elsewhere, or 2) no employment. And over time, with increasing employment, you know that all of that changes. We've seen some of the Asian tiger economies lose low cost employment because their economies have grown so rapidly that there has been upward pressure on wage rates. We expect that the same thing is going to happen in Mexico.

In conclusion, I think the key is that capital and investment will go where they earn the best return. Given that the U.S. economy has been sort of stale for quite a while, and the Mexican economy has been growing rapidly, I'd rather hitch a ride on a fast-moving train than a slow-moving train. And I certainly think it is to our benefit to do so.

PROFESSOR ABBOTT: Thank you very much. Now I would like to turn to Don Turner of the Chicago Federation of Labor. Mr. Turner?

MR. TURNER: The Chicago Federation of Labor is concerned not about more versus less trade with Mexico but the nature and the quality of the trade that we get with Mexico. The U.S. stands to lose in competi-

tion for world markets if the relationship that we have with Mexico contributes to the de-industrialization of America and the erosion of the skill base that we have in this country. By the same token, a trade accord that ignores the social dimensions of economic integration, that is, the problems of ordinary people, actually might serve to increase the tensions and frictions between the two countries. And if anything, it could sharpen the differences and block development of a more harmonious relationship. The Chicago Federation of Labor has been watching out for the interests of working people for over 100 years; we were sponsors of Social Security legislation, pension protection legislation, consumer protection legislation, legislation that talked to ordinary people about their right to know what chemicals they are dealing with in the workplace, unemployment compensation and a host of other social issues. We see this Agreement as a social issue and that is why we are involved in it.

The Chicago Council on Foreign Relations in 1991 went out and surveyed the general public about our foreign policy goals. Sixty-five percent of the general public felt that our major foreign policy goal should be protecting the jobs of American workers. This is the highest percentage of any of the fifteen categories surveyed. That is the will of the American people, and the Chicago Council on Foreign Relations is certainly not a liberal organization. The general public understands that the Free Trade Agreement will hurt most U.S. workers. I believe that is why the Administration did not want an open national debate on this issue. I believe that is why they are negotiating in private because they are trying to hide the real impact of the Agreement. Even the International Trade Commission in its own report evaluating the impact of the Free Trade Agreement said, "Unskilled workers," — which, by the way, they conveniently did not define; I asked them what the definition of "unskilled" was in the hearing and they refused to admit it, but by most agreements it is around 60% of U.S. workers — "would suffer a slight decline in real income" but that skilled workers and "owners of capital services" would benefit.

A recent study using data on investment collected throughout the world by four economists, published last month by the University of Massachusetts and Skidmore College, showed that the Free Trade Agreement would result in a loss of an additional 260,000 jobs in the United States. Common sense tells you that where you have wages of one dollar an hour (and I don't quite agree with that dollar figure — they range from \$0.80 to \$1.50 depending on the individual company, from what we've looked at), common sense tells you that if you have low wage levels like that 1,000 miles away, it's going to seriously depress wages in

America, and it's going to depress your ability to negotiate increased benefits and so on for workers in America.

We just had a company here in Chicago called Maquila Start-UP. In their flier, which they advertise in *The Wall Street Journal*, they said: "Plan to attend this one day seminar and briefing and learn how your company can establish a maquiladora in Mexico and save up to \$25,000 per direct labor employee per year." Then it talks about wages that are less than one dollar an hour and so on. Common sense tells you it will affect the wage levels of workers in the United States.

Now, I think a number of brief discussion points should be made. Number One: There was some discussion about the Free Trade Agreement with Canada. The NAFTA is not an extension of the Free Trade Agreement with Canada. Canada has wage levels, living standards, and high quality regulatory structures which are just like ours, if not superior. Mexico is a country where wage levels and the quality of regulatory agencies and enforcement is very low. One Arizona company, which was promoting maquiladora operations, advertised, and I quote: "Minimal government regulatory controls, no OSHA, EPA, EEOC, AAP, air quality controls," etc. This is an advertisement to bring your company to Mexico.

Mexico has eighty-five million people, Canada has twenty-six million. Mexico has an economy about the size of Detroit or Los Angeles, if you look at it in terms of size. It only has ten million people who can afford to buy U.S. products; I might add that it has a work force, however, that's one third the size of the U.S. work force. Most people in Canada can afford to and do use our products.

Number Two: Mexico is not Europe. The Free Trade Agreement is not the Single Market Plan of Europe. A major element in the on-going talks in Europe is the dimension and social impact of the agreement. Efforts are made to set minimum workplace standards, benefits, common regulatory practice, health and safety protection, and collective bargaining rates in all member countries. These standards are maintained, in fact, to discourage runaway plants. They don't want plants leaving Germany and going to Portugal and so on. That's why they put these standards in place. And that's one of the things that makes the European agreement different from the Free Trade Agreement with Mexico.

The AFL-CIO believes that provisions should be included in any trade agreement whereby infractions of labor rights or work place standards in production for export can be addressed by trade actions or sanctions by any of the three countries. Areas that should be dealt with are the right to organize and bargain collectively, which is what gives the

workers their fair share of the effort; strong work place health and safety standards; appropriate minimum wage structure; and elimination of child labor. With respect to child labor, we're talking about people working that are under age sixteen; the last number I saw in Mexico by an international agency was that eight million people fall in that category. That's something that we worked on in the United States in the first part of the century, but it still exists in Mexico. We just recently had a case in the Ford Motor Company plant in Mexico City where a sixteen-year-old boy was ground to death in a glass machine. Such efforts would require increased levels of enforcement and increased funding to ensure compliance.

The Europeans have a \$68 billion development fund which helps narrow the gap between the rich and poor countries. This, too, is another major difference. The difference between the poorest country in Europe and the richest is considerably smaller than it is between the United States and Mexico. That, too, is a significant issue. Again, Mexico is not Europe.

Number Three: A trade policy which encourages American companies to leave for Mexico to take advantage of one competitive advantage, lower wages and the absence of regulations, is counter-productive to U.S. interests. Companies that stay in America confront the real issues in the company that need reform. And, as long as we are on that, the National Association of Accountants survey shows that labor costs, on the average, represent about 15% of the cost of a product. I feel that managers are wrong to devote so much time and effort to that 15% and not look more closely at the remaining 85% of the total cost of production which would include administration, inventory control, marketing research and development, distribution, and so on. To attack only labor costs and not look at the new methods of reviewing the total business creates a short term advantage for those American companies, but it would be a long term disadvantage for those countries. This is not only my view, it is the view of a recent article in *Harvard Business Review*. These management styles are not a long term benefit to America and they shouldn't be encouraged by our government.

What really happens when you move a plant to another country is that that country eventually captures our technology and the technology is transferred to them. The capture and transfer of technology occurs in whole industries. We saw it with 64K ram chips; we saw it with television production. What happens is research and development dollars and talent eventually leave or atrophy and go into other areas because you no longer have the production base here.

Our engineers need to be trained and new products need to be designed. Products cannot be designed and created without practical production knowledge. It should also be noted that patent laws in Mexico are weak or non-existent, permitting easy transfer of technology. Mexico and other foreign governments will probably also push for some kind of domestic content legislation and this will result in additional American workers being laid off.

Number Four: When a company leaves a community, the departure has an impact on that community. I can already document fifty companies from the Chicago area that have moved all or part of their operations to Mexico. General Motors, for example, moved twelve plants to Mexico, to maquiladoras. It closed eleven plants in the Midwest, laying off 29,000 Midwest American workers, and we get some gobbledygook from the Administration and the International Trade Commission. This is what they said, you want to talk about bureaucracy, you are going to be lawyers, you'll just love this. This is their statement on the loss of those plants:

The auto and auto parts industry is particularly important to the industrial Midwest but uncertainty about the effects of the FTA on this industry leaves uncertainty about the effects in the region. Although it is unlikely that the effects in the auto and auto parts industry would be great enough to affect significantly the economy of the region, the effects could be slightly different from the national average.

Now, what does the word "significantly" mean? I don't know, but it probably means that we are going to lose another 29,000 jobs. That is probably what it means. And those are good union jobs with benefits, with pensions. People can afford to send their kids to college, they can afford to buy a boat and go fishing. They are jobs that pay real money to raise a family, a living wage.

When Rheem Manufacturing Company, a Chicago maker of hot water heaters, completes its move to Mexico, 800 plus jobs are leaving our area. What happens to the families because of increased stress? What happens when those skills are lost to our community? How will we as local taxpayers bear the cost of retraining those workers? Where does a man age sixty go to find equal wages when other companies are also moving their plants to Mexico? How is his retirement affected by his reduced years of service? And how is America affected by his unemployment?

Many foreign companies have opened plants in the United States and they employ our people. That's a benefit to America, it's a good thing for America. But I ask you, if the free trade agreement passes will new companies locate their plants here or will they choose Mexico? For



example, foreign-owned companies from Japan, where the government only permits degrees of free trade, could have operations in Mexico with the potential loss of U.S. jobs and easy access to our market and little free trade in return. That is why we are calling for fair trade, not free trade. I certainly feel that in any agreement, we should require 80% of the direct cost of manufacturing of any product that comes across our border be of North American origin before it gets any kind of preferential treatment.

Number Five: Where is the benefit of this agreement when the environmental impact to the planet as a whole, and to the citizens of our border states in particular, is so destructive? Again, maquiladora operations, which are twin plants located right on the border, show us the model for what we can expect. We've sent people down there to look. We've found some of the highest toxic levels on the planet right on the Mexico-Texas border, the Mexico-Arizona border, and the Mexico-California border. Highest in the world. We found one toxin, I think it was toluene, 53,000 times greater than the maximum level permitted by the United States.

You can go down a list of chemical after chemical and you can find these toxins in quantities and levels that just defy belief. An agreement must contain provisions to address these existing environmental degradations, and it should provide funds to increase enforcement of environmental laws and regulations in all three countries. We think it essential that an agreement specifically permit trade sanctions to address violations of the environmental standards. In that regard, we also think the agreement should contain provisions that require companies to disclose the nature of their production process, the method used to comply with environmental standards and how they dispose of toxic materials. We have the case of one company in North Carolina that dug a hole and dumped all their toxins in the hole, which later leached into the ground water. They paved over the hole, turned it into a parking lot, and moved their operation to Mexico. Now, if they are going to do that in North Carolina where we have pretty strict legislation under the federal EPA, what are they going to do when they get to Mexico where there is virtually no enforcement?

Beyond this issue of addressing the corporate issues and environmental pollution, an agreement should contain provisions with appropriate funding directed at providing and improving the infrastructure in the border areas. Particular emphasis should be on sewers, water, electricity and housing. These problems are directly related to the low wage levels paid by U.S. companies that move to Mexico. We've got video/tapes of

the kind of housing that workers in these maquiladoras are living in. You're better off being homeless here than living the way people there are living. In some cases they are drawing drinking water right from the same streams where, half a mile down, a chemical company is dumping. We are finding neighbors and employees of these companies bearing children with birth defects.

We should do something about this. But make no mistake, Mexico has not been a good neighbor, at least in that border area, at least on environmental issues. Its lack of enforcement has poisoned our citizens, it has spread disease to our citizens, and it pollutes the air that our citizens breathe. We find the highest levels of fecal coliform (which is raw sewage if you want to put it bluntly, and I could put it even more bluntly) anywhere in the United States, in drinking water, in border areas and it comes from untreated sewage on the other side.

So, the problems of trade should be addressed in a positive fashion. First, the American people should have a role in this. It shouldn't be a secret set of negotiations. It should be open to inspection and if it is correct, it will stand on its own. Certainly, the people of both countries should be helped and not harmed by the process, and the well-being of our future agreement should not be poisoned by these vague and hidden effects of the agreement. We should have a clear understanding.

In the European Economic Community it took over thirty years to get to the point where we are now with social compacts. We are trying to do it all in a secret agreement negotiated in a very short period of time.

Similar to the European model, we should have minimum safety standards. Enforcement should be a priority, enforcement which is consistent and uniform. Income maintenance and worker retraining costs should be imposed on run-away plants. If we have a plant that runs away, there should be protection so that those American workers are not hurt simply so that we can consume more. And I might add, we were talking about the Rheem Manufacturing plant that made hot water heaters and was paying wages of \$12 an hour and then went down to Mexico where wages were around a dollar an hour at this particular plant. You know what? They are selling those hot water heaters for the same price they were selling them for before. And I ask you, who gets the difference? Who gets the difference? And which community is benefitted because the plant went down there?

And last but not least, and I think importantly, any agreement that is negotiated, in our view, should provide some kind of debt relief for Mexico so it can begin to invest in improving its standard of living. This should be a central element of any plan.

Certainly, the lack of open debate and full revelation and the lack of willingness to address the environmental degradations, job loss and workplace safety hazards has made workers feel that they are ignored and duped by our own government when it promotes the fast track. It appears that the government is not operating in the best interest of its citizens. It gives the impression that government is operating only for the benefit of narrow commercial interests.

PROFESSOR ABBOTT: Thank you. Ruben, can you guide us through this to the correct answer?

MR. CASTILLO: As a lawyer, and a Northwestern graduate, I should start out with a couple of typical lawyer-like disclaimers. One, I'm not an international lawyer. Two, I'm not here representing the views of my firm. And three, I think I was really asked to be on this panel to represent the views of the Hispanic community based on my previous work with and within that community. Those of you who don't know me from Steve Lubet's Clinical Trial Advocacy class, I'm a litigator. And as a litigator I look at this and I get concerned when I see presentations that really border on "crying wolf" — when we take the most egregious facts on both sides. I try and look at the objective facts and I can tell you I start out with a couple of propositions.

One, we share a 2,000 mile border with Mexico. Two, Mexico is a growing country, one of the fastest growing nations in the world with ninety million people. Three, Mexico has vast resources, particularly with regard to oil and gas. And no matter what we think about the U.S.-Mexico relationship—and you've heard all sorts of perceptions about what the relationship currently is—that relationship is going to be there. A very famous president of Mexico once complained that he was so far from God and so close to the United States. And that was the perception that a lot of Mexicans had, and if you put yourself in their shoes, being somebody who is of Mexican descent—my father was of Mexican descent—and lost virtually some of the best property that you own in a war that took place over 100 years ago . . . that's the mentality that you have to put yourself in.

Now, we come to the debate on free trade. I think the key issue is—you've heard a lot about what Mexico can be, about the poor environmental controls, the poor working conditions—and I think the key question that I would ask myself, as somebody objectively looking at this, is, is this where we want Mexico to stay over the next twenty to thirty to forty years? Can we afford politically to leave Mexico in that poor situation, given everything else that has happened?

And then I look at some other objective facts. One, James [Cotton] has mentioned that there is a potential \$6 trillion economy here in the North American group, with 360 million people. Europe, by comparison, has a \$4.4 trillion economy with 336 million people. You look at the objective facts since President Salinas took office and the economic reform that took place in 1986. U.S. exports to Mexico have gone from \$12 billion to \$28 billion. The trade deficit that Mexico had with the United States has been cut from \$4.9 billion to \$1.8 billion. These are facts that I look at. Inflation in Mexico has gone down from 157% in 1987 to 14% presently.

Now, you can look at this free trade agreement—and I think a lot of the discussion here has been looking at it as a zero-sum game, as a finite pie, who's going to get the pie. There are concerns, even among Hispanic-Americans here, as to who's going to get the pie, the general perception being that there will be more jobs created in the United States. However, they will not be blue-collar, industrial jobs. The general perception being that we will lose blue-collar industrial jobs because of wage disparity. But we will gain white-collar jobs. Who will benefit there?

Now, among Hispanics here, as is true of any ethnic group here, there is a divergence of opinion depending on where you stand. If you're in the service industry, if you're in a professional job, then you tend to favor the creation of more white-collar jobs. If you're a blue-collar worker with very little training otherwise, there might be a problem. And everyone's going to analyze this from where they stand. Can we do something about that, to in some way negotiate the loss of blue-collar jobs? I happen to be very optimistic, and I think that there is a way that that can be negotiated and that President Bush wants to negotiate it.

In fact, I would take the position that he has to negotiate it. I also take the position that the environmental concerns can also be addressed. Because this agreement, aside from being on the fast track, has to be approved by the United States Congress. No matter what happens, we all know the way the United States Congress operates, and the real pull that labor groups and environmentalists have with the United States Congress. Part of the problem with this debate is we don't exactly know the parameters of the agreement. I don't think there's anything undue about negotiating an international agreement in secret, and I think most international agreements are negotiated in that manner. When the free trade proposals are unveiled in front of the United States Congress, I think that is where the representative processes will come to play, and the debates will take place. I think that the President knows he has to address these concerns. I think that you would have to be a complete

fool if you're part of the presidential team and you're negotiating an agreement, spending time on it, and ignoring public concerns about these issues.

If you look at environmental enforcement the way it's taking place right now in Mexico, you will see that President Salinas is addressing those concerns. If you look objectively at the labor laws that currently exist in Mexico, you will see that in some ways they go beyond what exists in the United States. In some ways they have a system of national health insurance which we do not have. So, it is a little bit patronizing to just look at Mexico and to say, well, you should be doing more in these circumstances, but we know you're a poor country, we know you're a growing country, and we want to isolate you out of this growing economy. Because no matter what happens, there can be no question about the fact that we now have an international economy. I think the question is, do we want Mexico to be part of this growing economy? All the indications are that we do. But you cannot ask Mexico to have environmental standards that meet United States concerns, to have labor laws that totally meet those of the United States without also having an economic fix. They need to have more money in their economic base, they need to become more of an advanced and growing part of the international economy so that they can have the money to have decent enforcement activities. I think that has to be done.

I think the end result is this, and James [Cotton] mentioned that it is a fast-moving train, and we should get on it, as opposed to a slow-moving train. I believe that we need to slow down that train a little bit, put a couple of conditions on it, but I think that the train is definitely catchable. I think it is going to take place, and I think that we hurt ourselves as a country if we don't allow Mexico to better its conditions. And I think that can be done by having specified conditions in this free trade agreement. Moreover, I do not think the United States Congress is going to approve of something, given the politics of today and the numbers of Democrats in Congress versus the number of Republicans, whether or not Bush controls Congress. I don't think that's going to happen and I don't think this agreement will be approved unless the right conditions are included in this agreement. That's where I come out.

PROFESSOR ABBOTT: Nothing like a Northwestern lawyer. A couple of you, especially Dr. Carrillo, spoke a rather long time ago. Do any of the earlier speakers have points you'd like to raise in response to anything that's been said?

DR. CARRILLO: I began by saying that I always like to remember that

the United States became such a powerful and important country because it paved the way, it "invented" the way of bringing people of different cultures and different levels of economic development together. That's why you call yourselves "E Pluribus Unum." You were different but developed a way to become united. Just imagine what the debates might have been between the representatives of the colonies saying, "We should not join one another because our people have very different attitudes; they chew gum and we don't," or for example, "They smell bad, or at least different from us," or "They don't have exactly the same tastes that we have."

But that's the kind of thing that we're discussing here right now. And the main point should be what is going to become of our continent, our region, vis-a-vis the other regions of the world? And I know that we're not going to solve it here, right now, but I would like to point out that there are certain inconsistencies and double standards in the arguments presented here.

I welcome the general idea that, of course, something has to be worked out, and there are only certain minor divergences here and there and the only differences are that some think that we should slow down the negotiations or at least ask Mexico or other countries to upgrade their standards to your own and then negotiate. I might agree with some of it. But what I'm afraid of is introducing a double standard in this type of discussion. We're discussing economic challenges, we're discussing economic necessities and debating trade problems but we're diverting the discussion to other types of problems. Important problems, I agree, but other types of problems.

We have heard that Mexico has very low standards of human rights protection and other kind of things. What would happen, for instance, if a Great Britain-based group of Amnesty International sent you a similar report to the one the U.S.-based group has recently sent to Mexico denouncing the lack of respect for the human rights of Mexican undocumented people here in the United States? That would take the free trade discussion totally out of context. We would be discussing other things, important things, but other things nonetheless. For instance, just place yourself among a group of Mexican students that invited you to speak. And imagine you are presented with the statement, "Why should we deal with the United States when they don't even have a clear definition of what sexual harassment is? Why are we going to deal with these people? They're not sure and confident about what to do in these matters."

You want to speak about poor people in our slums. What would be your reaction if you were presented with the fact that in New York or

Chicago you can also find poor people in your streets. Furthermore, if someone would tell you, "We have video tapes that show that people in the States are dying in the streets or killing themselves for drugs." Is that the kind of discussion that we should expect to have regarding the matter of a free trade agreement? Is this the kind of discussion that we're supposed to have in a university?

I do think that we have to deal with the specifics of a problem, but we have to admit the specifics can also be perceived in different ways. Something really astonishing occurred to me, and also to the group with me, when President Salinas came to Chicago and was invited to a business center to meet the people who had just finished a joint venture in Mexico, a Mexican-American joint venture. They were explaining to a U.S. Congressman that, as a result of this joint investment, 250 jobs were going to be created here in the United States and 250 jobs were going to be created in Mexico. They pointed out that those jobs in the United States were going to be created in Illinois, and not only in Illinois but in Chicago, not only in Chicago but in the Congressman's electoral district. And then the U.S. Representative turned back and said, "Well Mr. President," he was addressing Salinas, "You have presented me with facts, but as you should know, we politicians deal with perceptions. And you know that perceptions in this case are totally different." At that time, I knew that it was going to be very hard to discuss this type of problem because, even in the case where someone is presented with facts, people tend to discuss or negotiate this type of problem based on perceptions. And it's only human to have different perceptions about the same facts.

The only thing that I would like to hope is that, in the long run, people from different countries, people of different colors, will be able to work out a reasonable solution in relation to the free trade agreement problems. And it doesn't have to be a permanent solution either, or a solution based in terms of economic or political force. A first arrangement may very well provide for phased-in stipulations over five, ten, fifteen or twenty more years. In the meantime there are a lot of things that will need to be reconciled. And after a while, that first agreement would probably have to evolve into a new phase. But I think that through our discussion, through dialogue, it is important to continue learning about the differences of perceptions and the different points of view of people with different and sometimes conflicting interests. That way we may begin to establish a kind of relationship that, in the end, might be good for the United States, good for Canada, and also good for Mexico.

PROFESSOR ABBOTT: Well, like a good moderator, I have a couple of questions prepared in case I need them. But since you in the audience

have been so patient, I think I ought to just ask you for questions, addressed to the panel generally or to any particular panelist. [Pause.] Or I may have to use my questions after all. Chuck?

CHARLES LEVESQUE (STUDENT): I had a question, and perhaps the Consul could answer this. We talked a little bit about the diversity of opinion in the United States regarding this agreement. I was wondering if you might comment on the positions of the various political parties in Mexico. Is there a divergence between PAN and PRI regarding this agreement? What is the scope of any disagreement? And finally, are there any regional cleavages in the country; do the northern border states support this much more strongly than the states in the Yucatan or the south of Mexico?

DR. CARRILLO: First of all, let's remember that in Mexico, we don't have a political model totally similar to that of the United States. We don't have a bipartisan system; at this moment there are ten political parties. Now, you asked me if the PAN or the PRI have different opinions in this case. Curiously enough, the PAN for years has been asking for this kind of open economy. So I don't think the PAN would object; on the contrary. The PRI divided itself three years ago, and the group that resigned from the PRI joined forces with an extreme left party, the PRD, which of course is against this project. So we might have some groups, as I think is the case in Canada, that oppose the Free Trade Agreement; and I think that, eventually, we will have different opinions in future years regarding this matter coming from different political parties and even different local governments. In Canada, the groups that oppose the Treaty might even win the elections. In Mexico, eventually, if the PRD could become the leader of the executive branch, then we would officially have more or less the same doubts and opinions, not totally against a free trade agreement, but in line with what we have heard today from the labor representative.

So, in the case of Mexico, I must say that different political parties have different views about this issue. Not so much between the PAN and PRI but between the parties that represent the left and the right.

When we think of Mexico, we must take into account that the northern part of the country is more industrialized than the rest, and is also closer to the United States border. That is why those states are more supportive of the agreement than the states located in the southern part of Mexico. But even a state like Yucatan, that you think of as being located in the southern part of Mexico, in reality is closer to the United States; and is currently trying to develop the maquiladora industry. That



is why so many Mexican state governments support the changes that we have been discussing up to now.

So it is only understandable that we will have different opinions not only at the moment of the actual signing of the first free trade agreement. Even if it takes three, four or five or ten years, we will still continue to have different opinions regarding its results on the ground that they are beneficial or not to the different groups, sectors and countries involved in this process.

MR. TURNER: There are just two quick points I wanted to touch on. There was a fleeting reference to interest groups, meaning among them, labor. But I don't think we should overlook the fact that the Mexican government has spent tens of millions of dollars to influence the U.S. Congress on this agreement. That shouldn't be overlooked.

And the second thing regards oil and gas. It is my understanding that the Mexican government is trying to prevent these products from being included in the North American Free Trade Agreement.

Another issue is the question of harmonizing. It's not a case of looking down at Mexico, in fact, quite frankly, Mexico has laws on the books that in many cases are superior to the laws the United States has on its books. If we look at the question of harmonizing the laws of the three countries, in many cases we would be using the laws of Mexico. But what we're saying is we should take the highest standard, whatever that law is, whether environmental or worker safety, and it should be the law of the country that holds to the highest standard. The United States should not have to lower its environmental standards to make this agreement. We should go to the highest standard, whatever the country of origin.

DR. CARRILLO: I quite agree with that. We are not asking the United States to lower any environmental standards. We have upgraded ours in order to do that, so I don't see the point of utilizing an argument that is not consistent with reality.

We are not asking the United States to lower any standards. We would like to have all of them upgraded. I would just like to say a final thing. You have intrigued me when you refer to all these problems that would appear as a result of the establishment of an agreement between the U.S. and Mexico and then, paradoxically, you describe Mexico as having an economy "similar to that of Detroit." So why should such an important country as the United States go through all these efforts if the Mexican economy is as small as Detroit's? I think that we should be more consistent with the explanations and the arguments that we pres-

ent. Of course, there are certain areas in which the three countries would like to remain a little distrustful and wait to see what finally happens.

I have just heard that Mexico does not want to open its oil industry to foreign investment. But the same happens with the U.S. concerning its nuclear or uranium industry, because it is considered to be a national security issue. For its part, Canada doesn't want to open its border to foreign cultural industries. So every country has certain different interests. But that is not a global differentiating issue between the three countries' economies.

I really think that the negotiators will end up with a project that will be backed by the majority of the different interest groups. That is why I don't think that these "secrecy" charges are really true. Of course, the opposition groups will always cry "the wolf is coming." But if we follow this line of argument, what would be the only possible answer? That in order to protect the U.S. interests, the powerful United States should invade Mexico and annihilate its population in order to protect its people from such a worrisome and uncomfortable neighbor? This is precisely the kind of argument we should be avoiding. Just remember what happened in other countries which have practiced extreme nationalism in the past.

MR. TURNER: Just to clarify a point, when I talk about the size of Detroit, that is correct in terms of the U.S. ability to trade and sell products in Mexico. In the next sentence I said, Mexico has a work force one-third the size of the U.S. work force. So in terms of a place to sell our products, it is a very small market; perhaps potentially, in the future, it will become a very large market. But in terms of its impact on our workers, it's considerably larger than Detroit or Los Angeles.

DR. WIENER: When you talk about trying to affect a trade agreement that raises standards of both countries, or all three countries, then you are accused of being patronizing because you are looking both south and north. When you attempt to protect U.S. workers and U.S. environmental laws, then you are accused of being protectionist. You can't win either way.

The organization that I represent, as a coalition of organizations here in the United States, is very careful in trying to determine what our position should be on any of these issues and in engaging in a dialogue with similar groups in Canada and Mexico.

The concerns about labor rights and human rights, and the reason why I raised the Amnesty International report on extrajudicial torture in Mexico, is that those concerns come from organizations fighting their

own government in Mexico. When we go to Mexico and engage in a dialogue with similar organizations in that country, they ask us to raise these issues in the United States because they have difficulties raising these issues in their own country. They fear the time when, under a Free Trade Agreement, U.S. multinationals will increase their presence in Mexico and become allies with the government in the suppression of information, evidence about human rights, or will become allies with the Mexican government against human rights activists in the United States who raise legitimate concerns before the State Department.

We have seen this occur with respect to other countries. We only have to look at Central America to realize that this happens when U.S. companies increase their economic presence in a country that has a poor human rights record, or doesn't have as good a human rights record as international human rights advocates would like. We should remember that Mexico is a signatory of the U.N. Declaration on Human Rights, that they have agreed to meet a certain standard, not some standard that I am imposing on them. When the U.S. companies increase their economic presence in countries with such human rights records it becomes more difficult, not less difficult, because U.S. companies are not allies of human rights activists on either side of the border. That is why I raised what I think is a legitimate issue in this debate.

One of the great advantages of this debate is that it increases understanding between interest groups in the United States; labor unions, environmental groups, human rights groups and others, their understanding of conditions, their understanding of the thinking of people in Canada and in Mexico. I actually look forward to a free trade agreement or a fair trade agreement of some sort. In other words, I look forward to some type of increased trilateral economic activity between the three countries because, necessarily, what will follow from that is a great upsurge in solidarity work between interest groups in the United States and their counterparts in Mexico and in Canada. I think that will be a good thing. Perhaps, in some ways, as the influence of the Communist Party globally as an opposition interest group has declined, in its place has arisen one of the most significant political features of the last ten years, that is, all these international organizations: Amnesty International, Greenpeace International, a number of other environmental groups, labor solidarity organizations.

There is a lot of discussion now going on amongst the three countries. So I want to be very clear that when these issues are raised, they are not raised because I am somehow an expert about conditions or we, as a U.S. organization, are experts about conditions in Mexico. These

are issues raised by Mexicans and we are asked to carry forth their message in the United States.

PROFESSOR ABBOTT: Well, one thing is certain: The negotiations may be secret but in every other respect this debate is the most democratic, hardhitting, freewheeling debate that has been seen in quite some time, and I don't think anyone's interest is being excluded from the debate in the United States.

Now, we have a reception, where we can all go and continue to argue. Thank you all very much.