

NAFTA THOUGHTS

A Newsletter on the North American Free Trade Agreement

Vol. 3, No. 1

February 1993

NAFTA DEBATE BROADENS AMIDST NEW CONTROVERSY

The new year and the new Clinton Administration have brought a number of changes to the debate on the NAFTA. NAFTA critics now enjoy access to the United States Trade Representative (USTR) and other Administration officials that was unheard of during the Bush years. Whether this new access will translate into substantive influence, however, remains to be seen.

The new USTR, Mickey Kantor, has met with a number of people on all sides of the NAFTA debate. In contrast with Carla Hills, who ignored repeated requests for meetings with citizens' groups, Kantor met with representatives of the Alliance for Responsible Trade (ART) and Citizens Trade Campaign (CTC) during his first days in office. He expressed his willingness to continue a dialogue, particularly to elicit input from citizens' groups on the "parallel agreements" that the Clinton Administration plans to negotiate with Canada and Mexico in order to resolve labor and environmental matters not addressed in the NAFTA. The U.S., Canadian and Mexican governments are scheduled to hold the first negotiating session on the parallel agreements in mid-March.

A number of citizens' groups have moved beyond critiques of NAFTA to specific recommendations on environmental and social standards. Greenpeace USA and the National Wildlife Federation have recently issued separate papers containing their respective positions (see summary of the Greenpeace document on page 6). The AFL-CIO has also prepared a list of 14 recommendations for settling certain labor issues related to the NAFTA. It is still unclear, however, to what degree the parallel agreements can, in fact, amend the NAFTA.

Meanwhile in Canada, Prime Minister Brian Mulroney on 25 February announced his resignation from office. According to the Washington Post, Mulroney had become "the most unpopular prime

minister in Canadian history." His unpopularity is attributed to his failed attempt to reform the Canadian constitution and to the disastrous impact of the Canada-U.S. Free Trade Agreement on the Canadian economy. Elections for a new prime minister will be held this fall.

Despite this popular opposition, the NAFTA was introduced in the Canadian House of Commons a day after Mulroney announced his resignation. Canadian officials say they hope for passage of the accord by June. Members of the Action Canada Network plan a series of events to raise the issue in upcoming hearings and the impending electoral campaign. They emphasize that, with the possible change in government and parallel agreements to negotiate, the NAFTA is by no means a "done deal", and that a vote on the accord should be delayed until after an extensive public debate and after the upcoming elections.

On 17 February, Mexican government officials were embarrassed by the disclosure of an investment fund established in New York to purchase U.S. manufacturing firms with annual sales of \$10 million to \$100 million and move them to Mexico to take advantage of lower labor costs in that country. According to the New York Times, the fund's prospectus revealed that the Mexican government's largest industrial development bank is a "significant investor" in the fund. House Majority Leader Richard Gephardt declared in a letter to President Carlos Salinas that "funds such as this should not be allowed to operate...But even more objectionable is the official participation of entities controlled by your Government in stealing American jobs." The next day, just after Mexican Commerce Minister Jaime Serra Puche had met with USTR Kantor, the Mexican government announced its withdrawal from the fund and its hopes that the ratification of the agreement would proceed quickly.

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MEXICO: NAFTA WITHOUT DEMOCRACY?

Adolfo Aguilar Zinser, professor at the National Autonomous University of Mexico, described the NAFTA approval process in Mexico as a "supersonic fast track" to the U.S. House Committee on Small Business in a packed hearing room on 25 February. He explained that, because of the overwhelming power of the president and the ruling Revolutionary Institutional Party (PRI), presidential initiatives, including constitutional amendments, "are approved by Congress in a matter of days, hours if necessary."

Chairman John LaFalce (D-NY) convened the hearing to enable Congress to learn more about the Mexican political environment and judicial system. He explained that, "As with any business relationship, we must understand exactly who our partner is." He asked witnesses to focus their presentations on three questions: whether Mexican democracy is similar to the democracy we know in the U.S.; how NAFTA might affect Mexico's 1994 elections; and what is the nature of the human rights situation in Mexico.

Georgetown University professor John Bailey contended that, while Mexico's political system is "impressively centralized in the national government and in the presidency," in comparison with the authoritarian regimes in South America during the 1970s and 80s and in Cuba today, "Mexico's political system might be considered a kind of 'soft' authoritarianism." He maintained that President Salinas' efforts at economic liberalization "carries the seeds of political liberalization" and that the passage of NAFTA and further economic growth offer the best promise toward resolving political problems.

Aguilar Zinser strongly disagreed with Bailey's conclusions, arguing that the much-publicized achievements of Salinas' liberalization program are partial and superficial. "The concentration of wealth and power," he said, "is at least as disturbing as it was on the eve of the 1910 revolution under the Porfirio Diaz dictatorship. A total of 21 financial groups with no more than 76 affiliated firms declared at the end of 1992 assets equivalent to 63.79% of Mexico's GDP. These 21 financial groups are controlled by a few families closely tied to Mr. Salinas' team."

He urged that ratification of the NAFTA be delayed by the U.S. Congress until after Mexico's presidential elections in 1994 in order to bolster efforts to engender

pluralist democracy in that country. President Salinas, Aguilar explained, "has led many Mexicans to believe that no matter how loud is the demand for democracy, the U.S. will keep the PRI in power. NAFTA is seen by many Mexicans not simply as a trade treaty but as the seal of a political alliance."

Dr. Jorge Castañeda, visiting professor at Princeton University, agreed that it would be best to delay passage of the NAFTA. Additional time, he asserted, could allow for "the inclusion of political and judicial reform in Mexico on the NAFTA agenda, if not in the agreement itself." It would also permit all parties to consider the quantity of resources necessary for an effective integration to occur. Judging by the European experience, he stated, it is clear that the cost of the needed infrastructure, enforcement of environmental and labor standards, and worker retraining will "be high, and will exceed most reasonable expectations." The solutions to these problems and possible funding sources, Castañeda concluded, "...should all be studied and debated extensively, since without a solution to the funding problem, NAFTA will fail...Wishing away the price, or making believe there is none, makes little sense. This is the sort of marriage that should be undertaken with eyes open, and deep pockets."

Sources: *Committee on Small Business Hearing on NAFTA, "Mexico's Political and Legal Environment for Doing Business" 25 February 1993. Written testimony of Dr. John Bailey, Dr. Jorge Castañeda, and Adolfo Aguilar Zinser.*

NAFTATHOUGHTS

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**TRI-NATIONAL CONSULTATION ON
THE NORTH AMERICAN FREE TRADE AGREEMENT
JANUARY 15-17, 1993
MEXICO CITY, D.F., MEXICO**

FINAL DECLARATION

The networks composed of social organizations from Canada, the United States and Mexico, which have followed the North American Free Trade Agreement (NAFTA) negotiations since their inception, met once again in Mexico City on January 15 and 16. The meeting's objectives were to evaluate two years of joint work, share each country's analysis of the NAFTA text, and advance the development of common strategies.

Our evaluation highlighted the value of mutual understanding, exchange of opinions and search for commonalities which we have achieved after participating in numerous meetings. We particularly recognize the important role the Forum on Citizens' Alternatives to NAFTA, held in Zacatecas in October of 1991, played in the development of a shared perspective regarding the type of trade relations that, from our perspective, our region requires.

Recognizing the existing asymmetries between our economies and societies, as well as our cultural differences, we have found what unites us: the negative effects of the neoliberal policies on the well-being of our peoples and our nations' sovereignty. We are also united in the search for a type of development that is truly just, one where trade between our countries does not damage our environment or deepen social inequality. In each of our three countries, we analyzed the text agreed upon by our three governments, and coincide in the belief that NAFTA does not respond to our development needs nor does it contribute to resolving the serious social problems of the region. For this reason, the North American Free Trade Agreement is unacceptable to our peoples.

Among the numerous aspects of NAFTA which concern us, we would like to highlight the following:

1. Energy and Natural Resources

The articles on energy contained in NAFTA give resources like petroleum the same kind of treatment as simple goods, denying its strategic role in development.

NAFTA favors the promotion of large energy projects that, in addition to representing a burden on taxpayers, represent a new threat to the environment.

We feel that trade mechanisms must contribute to the rational use of natural resources and to the development of healthier alternative energy sources.

2. Agriculture

In this sector the differences between our countries are much more notable than in other areas that will be affected by NAFTA. In our view, the general focus and many of the points specified in the corresponding chapter require revision.

In its current form, NAFTA represents for Mexico a risk of greater injustice in the countryside, increased malnutrition and, above all, the displacement of four million rural inhabitants, heightening migration to urban centers and the United States.

For the United States and Canada, NAFTA represents a threat to supply management programs long established in these countries, and as a result, to family farmers and society in general.

3. Foreign Investment and Financial Services

The principle of National Treatment for foreign investment is unacceptable due to its fundamentally inequitable nature. Instead, asymmetries that exist between our countries must be recognized, as well as the right of each country to condition its investment.

In the case of financial services, we believe that each country should maintain its control over the reinvestment of local savings, respecting provincial and local legislation and safeguarding the right to manage this area to benefit national development.

4. Intellectual Property Rights

Regarding this theme, we believe it is unacceptable to establish obstacles to the granting of obligatory licenses related to pharmaceutical patents, which have allowed the majority of our populations inexpensive access to medicine. The patenting of plants, animals, genetic material, and inventions derived from human material is equally unacceptable.

5. The Role of the State and Public Services

In its current form, NAFTA would contribute to the dismantling of existing social programs in the three countries as well as the privatization of public companies.

From our point of view, the State should continue to play a central role in the provision of indispensable services for the majority of the population. Public companies in the same way could play a relevant role in strategies for alternative development to that of corporations.

The national networks also agree on the necessity of defining a model of commercial exchange different from the current agreement. We recognize that economic integration of the three countries is an ongoing process with or without the North American Free Trade Agreement. We demand a pact that, rather than accelerate and codify the deterioration of living conditions for our peoples, would promote continental development.

A trade and development agreement would assert a social agenda that is not included in the current agreement. This agenda would include measures to ensure employment and the increase of salaries to levels that guarantee a decent quality of life throughout the continent. Labor rights violations should be considered as unfair trade practices subject to trade sanctions. Workers and other affected citizens should have full access and satisfactory participation in dispute resolution mechanisms.

A trade and development agreement must be based on the principles of sustainable development, resource conservation, and protection of the environment. The people have a right to full access, information and participation in all of the procedures related to the resolution of environmental problems. It is necessary to include mechanisms and sufficient financing to improve laws, environmental protection institutions, and the transfer of environmental technology.

In addition to these funds, a trade and development agreement would include compensatory funds to improve infrastructure, to harmonize standards of living to the highest levels, and to alleviate the social costs of integration. They should be designed to ensure community control over funds and to reinforce local efforts to improve environmental and labor standards. Such funds could be financed in several ways, including taxes on cross-border investment and debt relief.

A trade and development agreement should include a commitment to the principles of democracy and full respect for integral human rights. It is not permissible to propose a strategy of economic integration that casts aside respect for political, social, labor and economic rights. Violations of such rights must be prohibited and linked to market access.

Based on these elements, in this meeting the networks from Mexico, the United States and Canada have consolidated a common framework with a long-range vision -- to struggle against an agreement that privileges transnational interests. Instead, we demand that labor rights and the environment be respected and that mechanisms are established to compensate for existing inequalities. We will continue to work to strengthen ties of solidarity and cooperation between our peoples with the objective of achieving development that puts social needs first.

Our networks have committed themselves to offering mutual support to attain these objectives, always from the different political reality in which each country lives.

In the short term, we will search for democratic means to ensure that the popular will prevails in the face of a free trade agreement negotiated in an anti-democratic fashion by our governments and which compromises the future of our nations.

In the immediate future, we will begin joint work in each country with our legislative bodies to close the door on NAFTA and clear the way for the Social Agenda and our proposals for fair trade. In this framework, we will hold our next trilateral meeting at the end of March in Washington, DC, where we will deepen our analysis of NAFTA and its impact, and offer our proposals to the public. Trilateral commissions will be working by theme on a permanent basis to achieve this goal.

At the same time, our networks are committed to continue promoting the construction of a broad trilateral social movement as the best response to the transnational corporate agenda. In each country, the networks will double their efforts to explain and educate about NAFTA and its consequences. In this vein, we will publish the analyses of the agreement carried out in each of the countries. Simultaneously, we will continue to promote sectoral meetings that will permit the development of campaigns and common actions. Some examples of such meetings include a trilateral meeting of union education workers in Olympia, Washington at the end of January; a meeting of autoparts workers at the end of February in Ciudad Juarez; and a trilateral conference on health and safety issues, date and place yet to be determined.

In addition, over the next period, our networks will extend our work throughout the rest of the continent in a search for common perspectives and strategies to challenge the Enterprise for the Americas Initiative and to develop a continental trade alternative that would benefit the majority of its inhabitants.

In an environment where each one of our countries faces growing unemployment, violence and poverty, and where racism and competition between national workers on a regional level are promoted, our networks will continue to struggle to increase cooperation between our peoples and build solidarity without borders.

Mexico City, January 17, 1993

Red Mexicana de Acción frente al Libre Comercio
Action Canada Network
Quebec Coalition on Trilateral Negotiations
Alliance for Responsible Trade (U.S.)
Fair Trade Campaign (U.S.)
National Rainbow Coalition (U.S.)

Greenpeace Critiques, Proposes Alternatives to NAFTA

"If left unchallenged, the NAFTA will spell disaster for jobs, health, safety and environmental protection in Canada, Mexico and the United States," declares Greenpeace in "NAFTA Threatens the Environment: Greenpeace Proposals for a New Agreement," a document also endorsed by Friends of the Earth, the Sierra Club, the Institute for Agriculture and Trade Policy, Public Citizen and the Center for International Environmental Law.

In the document, Greenpeace suggests specific article-by-article legal changes to the NAFTA. It also offers its overview of the agreement as follows:

"Greenpeace believes that developing environmentally sound trade rules is key to winning our campaign goals of stopping global warming, promoting renewable energy sources as alternatives to environmentally destructive forms of energy, halting the trade in hazardous wastes, preserving marine ecosystems, and protecting forests.

"Our concern is that trade be conducted in such a way as to ensure the protection of the environment and health and to sustain the rights of nations to regulate within their borders. Trade institutions must be accountable to the public, and any North American trade agreement must subordinate commerce to the needs of the environment and to socially equitable development. The current NAFTA does just the contrary in many respects, deregulating trade and investment in ways that can undermine environmental, health and labor protections and standards.

"The NAFTA, and its predecessor, the 1988 Canada-US Free Trade Agreement (FTA), tends to brand environmental regulations as non-tariff protectionist barriers to trade. Under the FTA, for example, government and industry have challenged requirements to reduce the emissions of polluting smelters and have gutted provincial government reforestation programs.

"The fight over the NAFTA is really a fight over who will write the rules of international trade -- the corporations on behalf of their profits, or the people on behalf of the environment and the needs of the community.

"The trade agreement should also remove harmful subsidies to the fossil fuel and nuclear industries. The NAFTA governments must ensure that nothing in the agreement would discourage or preclude measures to account for environmental externalities in power generation, provide incentives for renewable energy resources, or to promote 'demand side management' strategies for energy conservation.

"A number of fundamental changes must be made in the NAFTA if it is to make the environment a priority over reducing barriers to trade and investment. These proposed changes would:

- "1. Ensure that all measures adopted to protect the environment move toward the establishment of the highest level of environmental protection prevailing in any NAFTA country.
- "2. Guarantee NAFTA countries the right to take national and regional action to protect the environment and workplace health and safety.
- "3. Guarantee the rights of citizens to participate in the decisions surrounding trade and investment, and in the NAFTA process created to resolve trade disputes."

For a free copy of Greenpeace's more detailed recommendations, "NAFTA Threatens the Environment: Greenpeace Proposals for a New Agreement," contact Greenpeace at 1436 U Street NW, Washington, DC 20009, telephone (202)462-1177.

To be placed on the NAFTAThoughts mailing list, please contact The Development GAP. A \$5.00/year contribution to help defray copying and mailing costs would be appreciated.

If you would like to receive NAFTA information packets that include the articles and papers listed in NAFTAThoughts, please contact The Development GAP. There is a fee of \$15.00/year to cover copying/ mailing costs.

CLINTON DECLARES U.S. WILL "COMPETE NOT RETREAT" IN GLOBAL TRADE

In his first major foreign policy speech, on 26 February at The American University in Washington, DC, President Bill Clinton announced his commitment to the principles of free trade. The following passages are excerpts from that speech:

"The truth of our age is this, and must be this: Open and competitive commerce will enrich us as a nation. It spurs us to innovate....And so I say to you in the face of all the pressures to do the reverse, we must compete, not retreat....

"I believe there are five steps we can and must take to set a new direction at home and to help create a new direction for the world. First, we simply have to get our own economic house in order. I have outlined a new national economic strategy that will give America the new direction we require to meet our challenges. It seeks to do what no generation of Americans has ever been called on to do before: to increase investment in our productive future and to reduce our deficit at the same time....

"Second, it is time for us to make trade a priority element of American security....Our administration is now developing a comprehensive trade policy that will step up to those challenges, and I want to describe the principles upon which it will rest....We will continue to welcome foreign products and services into our markets, but insist that our products and services be able to enter theirs on equal terms....We welcome the subsidiaries of foreign companies on our soil....But we do insist simply that they pay the same taxes on the same income that our companies do for doing the same business....

"Our trade policy will also bypass the distracting debates over whether efforts should be multilateral, regional, bilateral, unilateral. The fact is that each of these efforts has its place. Certainly we need to seek to open other nations' markets and to establish clear and enforceable rules on which to expand trade. That is why I'm committed to a prompt and successful completion of the Uruguay round of the GATT talks....

"The North American Free Trade Agreement is another good example. It began as an agreement with Canada, which I strongly supported, which has now led

to a pact with Mexico as well. That agreement holds the potential to create many, many jobs in America over the next decade if it is joined with others to ensure that the environment, that living standards, that working conditions are honored, that we can literally know that we are going to raise the condition of people in America and in Mexico. We have a vested interest in a wealthier, stronger Mexico, but we need to do it on terms that are good for our people....

"Third, it is time for us to do our best to exercise leadership among the major financial powers to improve our coordination on behalf of global economic growth....

"Fourthly, we need to promote the steady expansion of growth in the developing world--not only because it's in our interest, but because it will help them as well....Indeed, because of the unilateral actions taken by Mexico over the last few years, the volume of our trade has increased dramatically and our trade deficit has disappeared. Our ability to protect the global environment and our ability to combat the flow of illegal narcotics also rest in large measure on the relationships we develop commercially with the developing world.

"There is a great deal we can do to open the flow of goods and services. Our aid policies must do more to address population pressures; to support environmentally responsible, sustainable development; to promote more accountable government -- and to foster a fair distribution of the fruits of growth among an increasingly restive world population -- where over one billion people still exist on barely a dollar a day. These efforts will reap up dividends of trade, of friendship and peace.

"The final step we must take, my fellow Americans, is towards the success of democracy in Russia and in the world's other new democracies....

"These five steps constitute an agenda for American action in a global economy. As such, they constitute an agenda for our own prosperity as well."

Source: "Remarks by the President at American University Centennial Celebration," The White House, 26 February 1993.

DEBATE BROADENS

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The transfer of jobs from high-wage to low-wage areas and the resulting downward harmonization of labor standards is one of many concerns that citizens' groups have raised regarding the NAFTA. Members of ART, CTC, the Mexican Action Network on Free Trade, the Action Canada Network and other concerned citizens will hold a briefing on 25 March to inform members of Congress of their concerns. An agenda for that event is included on page 9 of this issue of *NAFTAThoughts*.

Sources: "Mulroney Declares Intention to Resign," by Charles Trueheart, *Washington Post*, 25 February 1993; "Trade Pact Introduced in Canada," by Anne Swardson, *Washington Post*, 26 February 1993; "Fund to Move Companies to Mexico," by Keith Bradsher, *New York Times*, 17 February 1993.

"What's the Cost of Your Blouse?"

This new video produced by Sydney Brown and Betty McAfee of the Northern California Interfaith Council focuses on the work and organizing efforts of garment workers in San Francisco, El Paso and in the maquiladoras.

It explores what happens to workers as U.S. corporations move production "offshore" to take advantage of lower labor costs and less stringent environmental regulations. It also depicts some of the actions organized workers and communities are taking to deal with the problem.

This 18-minute video is available for \$29.95 plus \$4.50 shipping (California residents add \$2.47 sales tax) from the Northern California Interfaith Council, 464 19th Street, Oakland, CA 94612, telephone (510)835-9631.

U.S. Citizens' Analysis of NAFTA Available

This 80-page document, written by twelve sectoral teams, includes analysis of NAFTA and:

- Environment•
- Energy•
- Agriculture•
- Labor•
- Investment and Corporate Rights•
 - Automotive Sector•
 - Rules of Origin•
 - Dispute Resolution•
- Pre-Emption of State Law•
- Intellectual Property•
- Financial Services•
- Enterprise for the Americas Initiative•

There is a charge of \$6.00 to cover the cost of copying and mailing within the U.S.

To order, please contact Cynthia Power at The Development GAP, 1400 I Street, NW - Suite 520, Washington, DC 20005, (202)898-1566 (phone), (202)898-1566 (fax).

Grassroots Campaign Planned

The Fair Trade Campaign has planned a series of events designed to inform the public, the Congress and the media about the true intent and content of the NAFTA negotiated by the Bush Administration. In March, coalitions of environmental, labor, farm, church, consumer, peace and citizen groups that have organized in over 35 states are concentrating on educating their communities about the trade agreement. Some are working to pass state and city resolutions opposing the agreement.

In April, during the Congressional recess, coalitions will meet with their senators and representatives one on one or hold community meetings to allow for broader participation. The first week of May will be a National Week of Actions for Fair Trade. Countrywide activities will include caravans crossing the state of Maine, a rally and march in New York City with Jim Hightower as a guest speaker, and events on both the Mexican and Canadian borders.

For a calendar of activities and more information about the week of action in May, call Andrea Durbin at Friends of the Earth at (202)544-2600 ext. 209.

Alliance for Responsible Trade and Citizens Trade Campaign

**invite you to a briefing on the NAFTA
for new Members of Congress:**

*Thursday, 25 March 1993
8:00am to 3:00pm
Room HC5, Capitol Building*

Analysts from Canada, the United States and Mexico, as well as witnesses to the ongoing consequences of economic integration, will speak on NAFTA and the following specific topics:

- Jobs and Wages
- Environmental and Consumer Issues
- Agriculture and Immigration
- Mexico -- the Political Context
- Ripple Effects of NAFTA
- Parallel Agreements

The briefing will be followed by a lobbying day on Friday, 26 March and a consultation among delegates of the trade networks from Canada, the United States and Mexico on Friday afternoon and all day Saturday, 27 March.

For more information, including the final agenda and list of speakers, please call Cynthia Power at The Development GAP, telephone (202)898-1566, fax (202)898-1612.

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