

NAFTA THOUGHTS

A Newsletter on the North American Free Trade Agreement

Vol 2, No. 1

February 1992

PROGRESS AND SECRECY IN NEGOTIATIONS

While many observers still believe that a NAFTA will not be presented to the U.S. Congress until after the presidential and congressional elections in November, there are mixed signals on the progress of the negotiations. Presidents Salinas and Bush met at Camp David on 14 December to discuss the NAFTA and reiterated their commitment to conclude an agreement soon, if possible by April 1992.

Over 200 government officials from the three countries met during January in Washington, DC to complete a "bracketed" text. Sections of the agreement on which the three governments had not reached accord were to be bracketed and future negotiations focused on those areas.

While the negotiators had previously announced their intention to complete the draft text by 31 January, negotiations continued in Ottawa during the first week of February. At President Salinas' urging, President Bush has asked U.S. Trade Representative Carla Hills to deliver a draft agreement by the end of February.

Ministerial meetings were held in Chantilly, Virginia on 9-10 February at the Westfield International Conference Center, located near Dulles Airport. While the ministers refused to provide detailed information on the negotiations, they appear to have made little progress on a number of key issues. They mentioned agriculture, oil, textiles, automobiles and investment in services as remaining areas of contention. The sectoral working groups and trade ministers resume the negotiations on 15 February in Dallas.

Due to the secrecy surrounding the negotiations, citizens' groups were unable to confirm the location or dates of the Virginia meeting until 5 February. Despite the late notice, representatives of MODTLE, Action Canada Network and the

Red Mexicana de Acción Frente al Libre Comercio met on 9 February and prepared a trilateral press statement describing their concerns and demanding a copy of the draft agreement. They and representatives of Citizen Trade Watch Campaign presented this statement at a joint press conference the following day at the Westfield.

The previous week, Craig Merrilees of the Fair Trade Campaign had made clear that protesters would continue to gather wherever the meetings were held. "They can run but they can't hide," he was quoted in the London *Financial Times*. "The administration's arrogance should be challenged. This is not the right way to make a major policy decision in this country."

KHK

CONGRESSIONAL SUPPORT FOR MODTLE STATEMENT

Representatives Marcy Kaptur (D-OH), Byron Dorgan (D-ND), Terry Bruce (D-IL), Peter DeFazio (D-OR), Dale Kildee (D-MI) and Don Pease (D-OH) have sent a letter to Amb. Carla Hills endorsing the MODTLE coalition's statement, "Trade and Development Strategies for North America".

In the letter they ask Hills to review the statement and inform them as to whether the bracketed agreement currently being prepared will address the coalition's concerns fully. They state that "[w]ithout these assurances to us and many of our colleagues in Congress, consent to the signing of such an agreement would be most unlikely."

Over forty organizations have endorsed the MODTLE statement to date. If your organization would like a copy or would like to sign on, contact Rebekah Greenwald at the International Labor Rights Education and Research Fund at (202)544-7198 (phone) or 543-5999 (fax).

MODTLE ADVANCE: LOOKING TOWARD A HEMISPHERIC FUTURE

On 31 January 1992, MODTLE crewsters from 30-40 organizations met to plot a strategy for 1992 and to discuss MODTLE's future. The day-long event proved to be an excellent medium for expanding MODTLE's agenda and for hashing out concrete plans, but the question of whether MODTLE should become a more formal organization still remains.

"Who would have thought fourteen months ago," posited Pharis Harvey in opening the proceedings, "that we'd be here today, a coalition of traditionally suspicious sectors, having awakened Congress to the social issues around free trade, having forced labor and environmental acknowledgement, having found real colleagues in Canada and Mexico, having influenced Mexican legislation, and having put trade on the national agenda and in the election in such a way that the Bush Administration is having to be very cautious in addressing the American public on trade related issues..."

The participants' self-introductions were notable for the striking array of concerns being addressed and the extensive work being done by the many organizations participating in MODTLE. They were followed by trinational panel presentations. Mariclaire Acosta, representing the Red Mexicana de Acción Frente al Libre Comercio, started by talking about the Red's recent meeting with Mexican Secretary of Commerce Jaime Serra Puche. The irony in the least democratic country's trade minister engaging in dialogue with the opposition when the Action Canada Network and MODTLE have received no response with Serra's Canadian and U.S. counterparts did not escape Mariclaire or the participants.

Mariclaire also pointed out that, since President Salinas is doing everything he can to legitimize the NAFTA in Mexico and since he has virtual control over the media there, strategy to affect the NAFTA must come from the U.S. and Canada. She expressed a desire to amplify trinational debate in the U.S. through a forum which would involve presidential candidates and members of Congress, as well as the three national networks.

She also encouraged MODTLE to pursue contact with USTR Carla Hills. Following the meeting MODTLE did send a letter to Ambassador Hills requesting a copy of the draft agreement and a meeting to discuss alternative development strategies that it had helped develop.

Bruce Campbell of the Canadian Centre for Policy Alternatives was up next talking about the overcrowded political agenda with which grassroots groups are trying to deal in Canada. Canada, he put forth, is in economic and constitutional crisis. The degree of emphasis placed by organizations there on the NAFTA will depend on when it is brought to the public domain. If it is this spring, coinciding with the constitutional debates, Bruce predicted that the NAFTA would pass quickly through the legislature, as the government has a majority on this issue, albeit an unstable one. The Canadian public does not favor a NAFTA, as it is viewed as an extension of the U.S.-Canada FTA, which has had devastating effects on the Canadian economy. Bruce feels that if there is sufficient time a successful anti-NAFTA campaign can be waged.

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NAFTA Thoughts

Editor..... Karen Hansen-Kuhn
Managing Editor..... Steve Hellinger
Contributors..... John Burstein
Rebekah Greenwald
Design & Production..... Cynthia Power

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NAFTA Thoughts provides information and perspectives on developments in Canada, the United States and Mexico related to the proposed North American Free Trade Agreement. Views expressed in *NAFTA Thoughts* are those of the writers and do not necessarily express those of the affiliated organizations. Contributions are welcomed.

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Editorial Offices c/o:

The Development GAP
1400 I Street, NW - Suite 520
Washington, DC 20005 USA
Phone: (202)898-1566 Fax: (202)898-1612
Peacenet: dgap

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In the meantime, Bruce passed along a proposal put together by Ken Traynor of Common Frontiers to develop a trinational analysis team to examine the text of the agreement when it is made available. Bruce pointed out that the Pro-Canada Network produced a similar critique for the U.S.-Canada FTA that proved to be an enormously effective tool. This proposal, like Mariclaire's, was overwhelmingly endorsed.

Moving on to the U.S. scene, Don Weiner, Midwest Organizer of the Fair Trade Campaign (FTC), gave an overview of the Campaign's work, which focuses on lobbying and education coordinated with Citizen Trade Watch. Created in the wake of the fast track vote, the FTC organizers convene both formal and loosely knit coalitions, with broad labor, environmental, agricultural and consumer group participation, nationally and locally, to work equally on NAFTA and the GATT. The campaign encourages people to lobby on legislation to reverse the fast-track vote and to amend GATT.

Don is encouraged by the Congressional response he has seen, and he is convinced that the slim majority of members who voted for fast track is gone. He also talked about the FTC's work on the GATT's tuna decision, which has brought good national attention to trade issues. Don ended his talk with a plug for the Riegle and Gephardt resolutions and stressed the importance of change happening through grassroots movements. RG

MEXICAN UNION LEADER ARRESTED

Agapito González Cavazos, leader of the Sindicato de Jornaleros y Obreros Industriales (Union of Journeymen and Industrial Workers) in Matamoros, was arrested on 1 February. He was apprehended in the middle of the night and immediately whisked off to Mexico City. Although he is charged with tax evasion in 1988, his arrest comes on the heels of the union's negotiations with nine border-area companies, including General Motors, and just as 33 other plants were scheduled to begin strikes. The union workers are demanding pay raises that would bring their wages to about US\$1.74 an hour.

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** A series of declassified Canadian federal government documents predict that a NAFTA will likely cost jobs and result in limited benefits to a small number of Canadian businesses. The 17 studies and memos indicate that a NAFTA will not significantly increase Canadian exports in such industries as auto parts, but that it will increase pressure on producers to move factories to Mexico to take advantage of low labor costs. Despite this bleak forecast, government officials conclude that Canada cannot afford not to sign a NAFTA. (The *Toronto Star*, 7 February 1992)

** Citizen Trade Watch Campaign and the Fair Trade Campaign continue to gather signatures for two congressional resolutions related to NAFTA. H.Con.Res.246, sponsored by Reps. Waxman (D-CA) and Gephardt (D-MO), is a sense of the Congress resolution that states: "Congress will not approve legislation to implement any trade agreement if such agreement jeopardizes United States health, safety, labor or environmental laws." Senator Donald Riegle (D-MI) has sponsored S.Res.109, which would modify the fast-track rule to allow for amendments to the NAFTA in five areas: the environment, labor, rules of origin, dispute resolution, and adjustment assistance. It would also expand debate on a NAFTA from 20 hours to two weeks and reduce fast-track authority from two years to one. Votes are expected on these resolutions this spring.

Both the United Auto Workers and the AFL-CIO have protested the arrest. In an article in the 7 February *Journal of Commerce*, Rep. Don Pease (D-OH) expresses his suspicion about the timing of the arrest and says that any link between the union leader's negotiations and the arrest would "raise very serious questions about the suitability of Mexico as a partner in the North American free-trade agreement."

EXODUS FOR DEMOCRACY

The 50-day, 1100-kilometer protest march by 500 members of the Party of the Democratic Revolution (PRD) from the states of Tabasco and Vera Cruz ended in success. Arriving in Mexico City on 11 January, they were greeted by a crowd of some 50,000 supporters from both the left-leaning PRD and right-leaning Party of National Action (PAN), Mexico's two major opposition parties. Bending to this pressure and to the demands of the marchers, the long-governing Institutional Revolutionary Party (PRI) finally accepted the claims of electoral fraud in three municipalities in the November 1991 elections.

In one case, the winning PRD candidate will assume office. In two others, interim appointments have been made pending new elections. Furthermore, the governor of Tabasco has been forced from office, most likely as a result of his failure to contain the popular discontent.

The march assumed the name "Exodus for Democracy". It was led by Tabascan PRD leader Andres Manuel Lopez Obrador, who borrowed the strategy from Dr. Salvador Nava, a much respected elder PAN leader from San Luis Potosí. Nava had led a shorter "March for Dignity" after fraudulent elections in August 1991 robbed him of the governorship; that march led to the replacement of the PRI candidate with a PAN interim governor. Both Nava and Lopez Obrador spoke at the recent trilateral NAFTA forum in Zacatecas.

The public support by Nava and other PAN leaders for the "Exodus for Democracy" could signal the reemergence of a broad popular movement based on opposition to political corruption. A similar movement surprised pundits with its sweeping success when PRD leader Cuauhtémoc Cárdenas ran for president in 1988.

Mexico will hold 12 gubernatorial elections in the course of 1992. Public expectations of fraud remain high at the same time that tolerance for its continuation declines throughout the country.

JB

WHAT ARE YOU UP TO?

Members of MODTLE have asked us to disseminate information on what different organizations and coalitions are doing vis-a-vis a NAFTA and how other groups might support those efforts. If you are engaged in an educational initiative, conference planning, lobbying or any other endeavor of potential interest to readers of this newsletter, please send an article or relevant information to The Development GAP by 20 March for inclusion in the next issue of NAFTA Thoughts.

RMALC MEETS WITH SERRA PUCHE

Fifteen members of the Mexican Action Network on Free Trade (RMALC) met on 29 January for an hour and a half with Mexican Commerce Secretary Jaime Serra Puche. The RMALC had requested a meeting with Serra in October when it presented the Final Declaration from the Zacatecas trilateral public forum. MODTLE and the Action Canada Network (ACN) also requested meetings with Carla Hills and Michael Wilson at that time, but have received no response to date.

At the meeting the RMALC representatives presented a paper outlining their concerns and proposals regarding a NAFTA and requested a copy of the draft agreement, which Serra had discussed with the Mexican Senate the previous week. They also asked for a public meeting with Serra at the next Ministerial Meeting and for Mexican authorities to open a dialogue with civil society and the Chamber of Deputies on labor, environmental and other concerns related to a NAFTA.

Secretary Serra did not respond to any of these requests with much enthusiasm. He did suggest that the RMALC form a task force to initiate regular meetings with Ms. Socorro Díaz of his office. The RMALC later discussed and approved this proposal. The RMALC has encouraged MODTLE, ACN and other citizens' coalitions to expand the trilateral discussions started in Zacatecas and to continue to press for public meetings with the trade negotiators.

"CANADA UNDER SIEGE: THREE YEARS INTO THE FREE TRADE ERA"

Bruce Campbell's recently released report on the Canada-U.S. FTA describes the changes in the Canadian economy and the risks to sovereignty engendered by that agreement. The most visible of those changes has been the loss of jobs.

There has been a net loss of 461,000 manufacturing jobs in Canada -- 23.1 percent of the manufacturing work force -- since the FTA went into effect in January 1989. While manufacturing employment held steady between 1981 and 1988, all major manufacturing subsectors have experienced sizable falls in employment since the FTA was implemented. The official unemployment rate has risen to 10.3 percent. When discouraged, part-time and other underemployed workers are added that figure reaches 21 percent. In contrast to earlier periods of work force reductions, many of these layoffs are due to permanent plant closures, as companies have moved South in search of lower wages and nonunionized workers.

Bruce maintains that the FTA has been used as a "multi-purpose device for securing and advancing the conservative-style restructuring of Canada...Indeed, the FTA might be termed the Swiss army knife of the Conservative-big-business-agenda."

The FTA has given rise to the NAFTA, which is being used, says Bruce, as a wedge to reopen and "improve" the Canada-U.S. agreement. "Canada will be under pressure to match concessions that Mexico makes in areas such as intellectual property and investment, in order to maintain (once again) this illusory market access that we were supposed to have secured in the first round."

Bruce describes how the FTA has effectively established a ceiling on public services, citing the case of the Ontario government's proposed new public auto insurance system. Even if the public insurance is deemed not to interfere with trade, provisions in the FTA require compensation to U.S. companies for benefits they might have expected to earn before the new service is

established. In practice, these requirements make the cost of providing this new service prohibitive.

He also point out that the Mulroney administration is working to make certain aspects of the FTA, such as binational mobility rights and capital freedom, part of the Canadian constitution, thereby reducing the regulatory power of provincial governments. While regulations existing before the FTA that could impede free trade have been "grandfathered" in, the Canada-U.S. trade deal has been used as a vice to prevent any future regulations or other measures that could be interpreted as restraining trade.

Bruce describes how the FTA is being used with the GATT as a whipsaw to weaken or eliminate domestic policy tools. For example, tariffs and milk import quotas had been used by the Canadian government for the purpose of dairy sector supply management. The FTA removed the tariffs, and the GATT ruled that the Canadian government could only use quotas on non-processed dairy goods.

Finally, says Bruce, the FTA has been used as a lever to facilitate corporate restructuring and downward harmonization of standards. This has increased pressure to lower wages, corporate taxes and environmental standards in order to make Canadian businesses competitive with U.S. companies.

He concludes that the policies driven by the FTA, along with other conservative government policies, have fostered regional disintegration and a weakened industrial sector. Bruce sees the federation "... moving toward a major political fracture....It is hard to believe that only three years have passed since the Mulroney government brought Canadians into what it promised would be the new dawn of free-trade-led prosperity, regional harmony, and national reconciliation."

"Canada Under Siege: Three Years into the Free Trade Era" is available from the Canadian Centre for Policy Alternatives for \$12. Write to 251 Laurier Avenue West, Suite 804, Ottawa, Ontario K1P 5J6, phone (613)561-1341, fax (613)233-1458.

KHK

NEW RESOURCES

TRADE.NEWS

from the Institute for Agriculture
and Trade Policy (IATP)

IATP has initiated daily news summaries on events and articles related to GATT and NAFTA. They are available on Econet on the TRADE.NEWS conference. If you are on an electronic network other than Econet or Peacenet, please contact your local support system to find out how to access Econet conferences.

MASK OF DEMOCRACY: LABOR SUPPRESSION IN MEXICO TODAY

by Dan La Botz

Based on years of extensive research, this book presents the story of the how labor law distortions, employers, judicial boards and "official" unions dominated by the PRI/State unite to thwart democratic action on labor rights reform in Mexico. It is scheduled for release in April. Advance orders can be placed with Rebekah Greenwald at the International Labor Rights Education and Research Fund, (202)544-7767.

TRADING FREEDOM: HOW FREE TRADE AFFECTS OUR LIVES, WORK, AND THE ENVIRONMENT

edited by John Cavanagh, John Gershman,
Karen Baker and Gretchen Helmke

A joint project of the Institute for Food and Development Policy and the Institute for Policy Studies. This book outlines the dangers of a NAFTA as currently proposed and outlines the dimensions of an ecologically sustainable alternative vision for North American economic integration. \$10.00 plus \$3.50 shipping and handling (\$5.00 for shipping to Canada and Mexico). To order, call 1-800-888-3314.

AS THE EMPIRE GROWS: CANADA-US- MEXICO FREE TRADE

This 12-page issue of The Moment magazine is co-produced by the Moment Project, Common Frontiers and the Metro Labour Education Centre. Written in a popular style, it includes an analysis of the Canada-U.S. Free Trade Agreement and suggestions for community action to evaluate that agreement and consider the potential impact of a NAFTA. Single copies are \$4.50 for institutions, \$3.00 for individuals. For 50 or more copies the cost is \$2.00 each. Contact The Moment at 947 Queen Street East, Toronto, Ontario, Canada M4M 1J9, or phone (416)469-1123, fax (416)469-3579.

GOING SOUTH: CHEAP LABOUR AS AN UNFAIR SUBSIDY IN NORTH AMERICAN TRADE

by Jim Stanford

This paper studies wage differentials between Canada and low-income regions of the U.S. It describes how wages in those regions are artificially suppressed by restrictive labor policies, especially right-to-work laws, and demonstrates that, under the Canada-U.S. FTA, these laws could be outlawed as unfair subsidies to production. Available from the Canadian Centre for Policy Alternatives for \$12.00. Write to 251 Laurier Avenue West, Suite 804, Ottawa, Ontario, K1P 5J6, phone (613)561-1341, fax (613)233-1458.

ETHICAL REFLECTIONS ON NORTH AMERICAN ECONOMIC INTEGRATION by the Ecumenical Coalition for Economic Justice

This issue of the Economic Justice Report evaluates the Canadian experience with the FTA and the prospects for future agreements in light of the ethical standards set by Canadian church councils, assemblies and leaders. Available from ECEJ at 11 Madison Ave., Toronto, Ontario, Canada M5R 2S2 or call (416)921-4615 or fax (416)924-5356.

ADDITIONAL MATERIALS AVAILABLE FROM THE DEVELOPMENT GAP

NAFTA NEGOTIATIONS

- ▶ "Pact opponents claim 'secret' negotiations," by Nancy Dunne, Financial Times, 5 February 1992.
- ▶ "Trade Ministers Meet on Agenda for N. America Trade Area Rules," by John Maggs, The Journal of Commerce, 11 February 1992.
- ▶ Trinational Press Statement on negotiations, 10 February 1992.

CONGRESSIONAL SUPPORT FOR MODTLE STATEMENT

- ▶ Letter to Carla Hills from Reps. Kaptur, Dorgan, Bruce, DeFazio, Kildee and Pease, 29 January 1992.

MEXICAN UNION LEADER ARRESTED

- ▶ "Rep. Pease Says Mexican Arrest Raises Trade Issue," by Tim Shorrock, The Journal of Commerce, 7 February 1992.
- ▶ "Declaran formalmente preso a Agapito González Cavazos," by Arturo Solís, Andrea Becerril and David Brooks, La Jornada, 7 February 1992.

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- ▶ "Pact likely to cost more jobs", The Toronto Star, 7 February 1992.
- ▶ "An Update on the Citizens' Campaign on Trade: January 1992," Citizen Trade Watch Campaign.

EXODUS FOR DEMOCRACY

- ▶ "A Protest in Mexico Wins Leftist Party Control of 2 Towns," (Reuters) New York Times, 14 January 1992.
- ▶ "Más de 50 mil personas recibieron al éxodo en el Zócalo capitalino," by Néstor Martínez and Oscar Camacho, La Jornada, 12 January 1992.

RMALC MEETING WITH SERRA

- ▶ "Mexican FTA-Network Meets Minister (finally)", SIPRO, 7 February 1992.

OTHER ARTICLES:

- ▶ "La Camisa de Once Varas de la CNDH," by Adolfo Aguilar Zinser, El Financiero, 16 December 1991. (The official Mexican Human Rights Commission investigation of the December drug bust debacle in Mexico City.)
- ▶ "'Little benefit' in FTAs for Latin America," by Stephen Fidler, Financial Times, 29 January 1992.
- ▶ "Posición del PAN ante el Proceso de Integración de México a la Economía Internacional."
- ▶ "Trade row looms over US dolphin-friendly tuna policy," by David Dodwell. Financial Times, 30 January 1992.

If you would like to receive NAFTA information packets that include the articles, letters and papers listed above, please contact The Development GAP at (202)898-1566 (phone), (202)898-1612 (fax) or through Peacenet (dgap). There is fee of \$15.00/year to cover copying and mailing costs.

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c/o The Development GAP
1400 I Street, NW - Suite 520
Washington, DC 20005