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## American Chamber of Commerce in Mexico

Max S. Baucus

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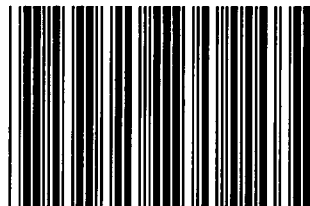
  
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 **Remarks to the American Chamber of Commerce in Mexico**

 **06/02/1993**

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**BAUCUS**

# United States Senate

WASHINGTON, DC 20510-2602

## Remarks of Senator Max Baucus American Chamber of Commerce in Mexico June 2, 1993

Last month, you probably all heard Leon Panetta say the agreement was "dead for now." That was an excessively gloomy assessment. But it is quite clear that NAFTA is very controversial, and that it will not pass without an effort.

This afternoon I'd like to talk for a while about why I think that's the case; why I think the NAFTA is good for the United States; and what I think the business community can do to help its chances. Then we'll have some time for more informal talk, and for me to take your questions.

### THE NAFTA'S BENEFITS FOR THE UNITED STATES

When the United States makes a trade agreement -- whether it's the NAFTA, the Uruguay Round or anything else -- it should be because that agreement makes sense in economic terms and benefits our country overall. That means it should bring us economic benefits, and should not impose costs on us by creating problems in other areas like the environment and workplace standards. I believe that with strong side agreements, the NAFTA does make sense and will benefit our country.

First of all, the NAFTA means American exports. Mexico is already our third largest export market, trailing only Canada and Japan. US exports to Mexico have grown from \$12.4 billion in 1987 to \$40.6 billion last year. And you in this room know something many people back home don't -- Mexico is one of the few countries with which we run a trade surplus. Last year's was \$5.4 billion.

The NAFTA means jobs. The International Trade Commission reports that the NAFTA will mean a net gain of up to 95,000. Fifteen separate studies agree the NAFTA will mean more jobs, not fewer jobs.

The NAFTA means growth. It will open new markets for American auto parts, farm products, steel, wood products and many more industries. It will permanently raise American GDP by 0.5%. That doesn't sound like a lot -- but in dollar terms, it's \$25 billion a year, twice as much as the economic stimulus package we've had so much trouble getting through Congress.

And with strong side agreements, the NAFTA means better environmental conditions; better working conditions; and consequently fewer preventable illnesses and workplace injuries in Canada, Mexico and the United States alike.

That's how I see the NAFTA. It is an opportunity. It is a chance for American companies like yours to increase exports, create jobs, speed up economic growth and improve our environmental and workplace standards across the continent. It will be good for the United States of America and good for all of North America.

Given all this, the NAFTA should not be controversial back home. But it is. And here's why.

#### FIRST FREE TRADE AGREEMENT WITH DEVELOPING COUNTRY

First, since the NAFTA is the first free trade agreement ever with a developing country, it links us with a completely different economy. Here in Mexico, laws on the environment and workplace standards are on the books but not always observed; there is a tradition of government protectionism and nationalized industries; and the average wage is a seventh of our own. You know all that better than I.

This makes the NAFTA inherently controversial in the United States. And it comes before Congress during a long period of recession and slow growth; a period when our country has lost millions of good, high-paying jobs.

Most of the job loss is due to the recession and to cuts in defense spending. But some is due to foreign competition; and some is due to American companies moving overseas to cut costs. The public fears that the NAFTA, by opening our market to a less developed country with lower labor costs, will mean more job losses. And the repugnant advertisements run by the government of Yucatan, touting their state's low wages to companies thinking of leaving the United States, bring that home in a way everyone can understand.

#### LEGITIMATE QUESTIONS ON LABOR AND THE ENVIRONMENT

Second, the NAFTA's opponents are doing a very good job. They are out talking to the public as well as to Congress, and many of them are making a persuasive case. I heard it in El Paso a few days ago, and I hear it all the time when I go home to Montana. And much of what I hear is valid.

Environmentalists rightly point to the border area as an example of what can happen if increased trade isn't accompanied by stronger environmental protection.

The AFL-CIO rightly points to the unsafe and unhealthy working conditions in the maquiladoras as evidence of what can happen if increased investment isn't accompanied by enforcement of labor standards laws. And they rightly say that the U.S. workers who lose their jobs because of the NAFTA deserve training and support during their readjustment.

These are legitimate concerns. I share them. However, I believe we can address them effectively through strong side agreements to ensure compliance with national environmental

and labor standards, and improved Trade Adjustment Assistance to help the people who get hurt when the NAFTA goes into effect.

### ROLE OF ROSS PEROT

The NAFTA has another prominent critic. By now, everyone here probably knows that Ross Perot ran a national "infomercial" Sunday night opposing the NAFTA. It mixed a few legitimate economic arguments with a lot of bogus statistics and simplistic, fear-mongering one-liners about "giant sucking sounds."

For some time, I wondered whether Mr. Perot fully understood the NAFTA. I got the answer last week in the Washington Post, when he raised the question of jobs going south, telling people:

"Go across the Texas border and look at all those plants in Mexico. You're looking at tomorrow."

Well, no child would make that mistake. I was just there. I went across the Texas border. I looked at those plants. And I wasn't looking at tomorrow -- I was looking at today.

Companies are moving regardless of the NAFTA. The New York Times estimates that 600,000 American jobs went to Mexico over the past few years. That happened without the NAFTA. It will continue to happen whether the NAFTA passes or not.

But let's look at what will not happen if NAFTA fails. We won't see cuts in Mexican tariffs. We won't gain access to Mexican services markets. American automakers will have to continue making their cars here in order to sell them here. Over 30% of Mexican exports will continue to come into the U.S. duty-free. And Latin America, which wants to do business with us now, will look somewhere else.

So the question is whether NAFTA improves the status quo. You bet it does. Today we've got a one-way free trade agreement with Mexico, at our expense. Mexico's tariffs are two and a half times as high as ours. We've got a chance to fix that and make it a two-way free trade agreement. Let's make sure we don't lose it because we find ourselves at the business end of a sound bite.

### BUSINESS COMMUNITY MUST MAKE THE CASE FOR NAFTA

What do we need to make sure the NAFTA passes? Two things.

First, the business community has to help those of us who support NAFTA make the case to the public. The Wall Street Journal ran a story a few weeks ago, talking about the millions of dollars people are spending on Washington lobbying contracts to see the

agreement through.

That's not what the NAFTA needs. NAFTA supporters have to talk to the American people -- not just the Washington trade bureaucracy and the Congressional staffers. They have to show that trade is a two way street that benefits both countries. They have to make sure ordinary people across the United States understand that NAFTA means exports, jobs, and growth.

A public, nationwide effort from the business community is essential if NAFTA is to get public support. And I haven't seen that effort yet.

### NEED FOR STRONG SIDE AGREEMENTS

Second, the business community has to get behind strong side agreements on the environment and labor standards.

The NAFTA needs the support of Congressional Democrats if it is to pass. That means that when the side agreements are finished, Democrats concerned about these issues -- including me -- have to be confident it will not increase pollution, or lower our environmental and labor standards. We must be confident that the increased costs of preventable pollution-related illnesses and workplace injuries will not swallow up the economic gains of free trade.

Two days ago I visited the maquiladora zones and the colonias around Juarez. These are areas where young women work for fifty-eight cents an hour. They can be fired in an instant for trying to form an independent union. Whole neighborhoods lack drinking water and plumbing. Rapid population growth makes it impossible for local government to pick up the garbage, clean the streets and educate the children.

These problems directly affect American citizens. Untreated hazardous waste from the maquiladora plants creates chemical plumes that contaminate the groundwater in some of our border cities. Fifty-five million gallons of sludge and twenty-four million gallons of raw sewage flow into the Rio Grande every day.

Infectious hepatitis across the border in El Paso now runs at five times our national rate. Congress will not accept the NAFTA if it threatens to make these problems worse.

Congress will not accept the NAFTA if it pits law-abiding American businesses against plants whose costs are lower because their owners tip barrels of hazardous waste into the Rio Grande; or fire and blacklist employees who try to organize an independent union; or won't spend the money to keep their employees safe and healthy on the job.

Congress will not accept the NAFTA if it gives companies that want to evade the law an incentive to move in order to take advantage of lax environmental and workplace standards. It will have still less of a chance if it threatens our own standards in these areas.

Strong side agreements -- creating North American Commissions on the Environment and Labor that have independent secretariats and the right to collect data -- are essential if we are to avoid these problems. And as a last resort, governments need to be able to use trade sanctions if negotiations fail to solve the problem.

Strong side agreements will make sure the NAFTA reaches its full economic potential without creating problems in these other areas. I know there are people -- maybe here in this room -- who don't agree with me on this. But in terms of practical politics, I can say with complete confidence that the NAFTA will not pass without them.

So it is very important that the business community get behind strong side agreements, and convince your counterparts here and in Ottawa to do the same. That will do a great deal for its prospects in Congress -- because without these side agreements there will be no NAFTA.

#### NAFTA AS AN OPPORTUNITY

Once again, I view the NAFTA as a great opportunity. I am convinced that it will help all three member countries, and that it will be good for the United States in particular.

It will open a rapidly growing market of 88 million people for American goods and services, and give us a critical tariff advantage over European and Japanese companies in that market. Fifteen separate studies show that it will create tens of thousands of new, high-wage, high skill jobs for Americans. It will promote growth in Mexico and Canada as well as the United States, meaning a larger market and more opportunities for exports.

And with strong side agreements, it will raise standards of environmental protection and workplace health and safety all across North America.

That is a truly historic opportunity. It is one we cannot afford to miss.