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On Aug. 11 in Washington, Mexican, US and Canadian officials concluded the NAFTA negotiations. Prior to implementation, the treaty must be signed by the Mexican, US and Canadian heads of state, and ratified by the three national legislatures. In the case of Mexico, only Senate ratification is required. Treaty ratification by the US Congress next year will be difficult at best. About 125 members of the House of Representatives and the Senate will be new. If Bill Clinton is elected in November, he could insert assistance for displaced workers and environmental protections into the implementing legislation that goes to Congress. He could also seek to renegotiate some parts of the agreement, but that would likely require congressional approval as well as the cooperation of Canada and Mexico. Aug. 12: In Washington, Mexican Trade Minister Jaime Serra Puche pointed out that the treaty does not violate constitutional amendments regarding the oil industry. He said the government maintains exclusivity in investment, exploration, drilling and refining activities. Next, the minister said the treaty contains no clauses permitting payment in kind for services to the Mexican oil industry, nor oil supply security for the US and Canada based on Mexican petroleum. Natural gas imports are to be organized and supervised by the state-run oil company PEMEX. Finally, foreign oil companies will not be permitted to install gasoline service stations in Mexico. US officials said that within five years of NAFTA implementation, tariffs on nearly 65% of US industrial and agricultural exports to Mexico will be reduced from the current 10% rate to zero. Tariffs on US auto and auto parts exports to Mexico are to be reduced by half when the treaty is implemented. Five years later, tariffs on 65% of auto parts exports to Mexico are to be removed. Next, US companies will have free access to Mexico's US$6 billion telecommunications, equipment, and services markets by July 1995. Barriers on textiles are to be phased out over 10 years. Spanish news service EFE described selected principal elements of NAFTA as follows: * Tariffs, quotas and other trade barriers on thousands of products will be eliminated over the next 15 years. * Obstacles, mainly in the form of rigorous rules of origin, were established to prevent Asian and European companies from avoiding US tariffs by moving products through Mexico. * Banks and investment company markets in Mexico will be opened to US and Canadian firms. The transition period runs to the year 2000. * US and Canadian investors in association with Mexican counterparts can control 100% of Mexico-based enterprises beginning in 1996. * The treaty creates trilateral commissions to resolve trade disputes, including conflicts related to application and enforcement of environmental regulations. * Mexican import licenses are to be eliminated. (For example, in 1991 licensing requirements affected 25% of US agricultural exports to Mexico.) * Mexican tariffs on US automobile and small truck exports are to be reduced by 50% immediately upon treaty implementation. * Automobiles must contain at least 62.5% of North American components and labor to avoid tariffs applied to imports from non-treaty nations. * US trucking firms can transport goods to any locale in Mexican states bordering the US beginning in 1995, and to all locations throughout Mexican territory in 2000. * Treatment of intellectual property rights under NAFTA is described as more extensive than any existing bilateral or multilateral agreement. Aug. 13: As unemployment has increased in the US, support for NAFTA has declined, especially in states

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such as California and Texas that are expected to benefit most from increased trade with Mexico. July's unemployment rate stood at 8.9% in California, and 7.2% in Texas. A poll taken by the San Diego Union-Tribune and television station KNSD there found unexpectedly strong opposition to the agreement among local residents. Only 30.3% of respondents favored the trade pact, while 51.6% opposed it. A statewide poll in April showed that Texans see the treaty as a mixed blessing. While 54% of respondents said NAFTA would forge "a wise economic and cultural tie" between the US and Mexico, 48% said it would "put a lot of Americans out of jobs they need" and 40% said it would "exploit Mexican workers." In Michigan, where unemployment rose to 9.4% in July, organized labor is leading the charge against the pact. The Agence France-Presse reported that US economists generally agree that when NAFTA is implemented, possibly in 1994, job losses will occur, affecting mainly unskilled and low-paying occupations. Most experts say that while about 150,000 jobs in the US are likely to be lost soon after NAFTA implementation, the long-term balance will be positive for the US. According to the International Economics Institute (funded primarily by corporations), the balance will be 175,000 new jobs in 1995, a year after NAFTA implementation. NAFTA supporters in the US point to the impact of Mexican trade liberalization on US trade with Mexico since 1986, when Mexico became a member of the General Agreement on Tariffs and Trade (GATT). The value of US exports to Mexico between 1987 and 1990 almost doubled, from US$14.6 billion to US$28.4 billion. Texas exported US$13.3 billion worth of goods to Mexico in 1990, up 106% compared to 1987. California trade rose by the same proportion to US$4.71 billion in 1990. Percentage changes in exports to Mexico between 1987 and 1990, and 1990 export value for eight US states follows: Michigan, 32.9%, US$1.4 billion; Illinois, 216%, US$881 million; Arizona, 31.9%, US $851 million; New York, 56.4%, US$801 million; Louisiana, 94.9%, US$736 million; Florida, 125.6%, US$494 million; Pennsylvania, 221.7%, US$583 million; and, Ohio, 81.3%, US$445 million. In 1990, the 10 states mentioned above exported a total US$24.2 billion to Mexico, 85% of all imports from the US in that year. While absolute sums for other states are much lower, proportional increases were impressive. Nevada, for example increased exports by 1,095%, from US$2.7 million in 1987 to US $32.3 million in 1990. Equally impressive proportional increases were recorded for Montana (692%), Vermont (545%), and Maine (453%). In the 1987-1990 period, exports to Mexico from 45 US states increased. At a press conference, Bob Rae, socialist premier of Ontario province, said, "I find the idea of expanding the agreement at this time really bizarre. I don't think it's appropriate for us to be cheerleaders for the re-election of George Bush." According to Rae, Ontario Canada's wealthiest and largest province continues to suffer job losses because of the earlier Canada-US free trade pact (FTA), and NAFTA will compound the damage. Opponents say NAFTA will cost Canada jobs and lower living standards. Others, such as the Canadian Bankers Association and the Big Three Canadian automakers, call it a long-term economic bonanza for all parties. Others believe the reality is somewhere in between. Thea Lee of the Economic Policy Institute, an independent think tank in Ottawa, said with both the US and Canadian economies "in terrible shape," timing of a trilateral deal with low-cost Mexico could not have been worse. Bob White, president of the Canadian Labour Congress, said NAFTA will lead to the erosion of labor standards and social programs in Canada. The CLC, the country's largest labor federation with more than 2 million members, asked the federal government last spring to negotiate a set of minimum labor and environmental safeguards similar to those in the European Social Charter. The government refused. Gordon Ritchie, chief executive officer of Strategico Inc. and a key negotiator for Canada in free trade talks with the US, said the impact of NAFTA on Canada will be positive, but minimal. According to Ritchie, job loss and gains in Canadian competitiveness from the pact will be "small potatoes." He added that Canada joined the talks in February 1991 to guard the free trade deal with Washington and "not

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to be left behind." In reference to the value of Canada's two-way trade with the US and Mexico, respectively, Ritchie said, "Basically, you've taken a US$200 billion deal and tacked on another US$2 billion." Next, Ritchie said NAFTA clarifies and improves on the FTA, which became law in 1989. Changes relate largely to country of origin requirements in automobile manufacturing and textile import quotas. Canadian Trade Minister Michael Wilson said the trilateral pact will extend the FTA dispute settlement mechanism to Mexico, with exclusion for some sectors. He added that most of the deal's provisions would not kick in until 1994. David Bradley, president of the Ontario Trucking Association, said NAFTA's extension of trucking deregulation to Mexico will aid Canadian haulers "only if we can become more competitive." According to Bradley, the annual value of freight trucked between Canada and Mexico is less than US$170 million, and NAFTA will add only a marginal amount to the total. Spokespersons representing workers in labor-intensive industries and manufacturers hurt by US competition under the FTA said NAFTA will force value-added Canadian industries to close and send labor-intensive companies where labor is cheapest. John Alleruzzo, Canadian director of the Amalgamated Clothing and Textile Workers Union, said NAFTA means another 30,000 textile industry workers will lose their jobs in Canada on top of 10,000 since FTA implementation. He said elimination of quotas on wool and synthetic fabrics from Mexico will devastate the industry, which is centered in Toronto and Montreal and employs about 100,000. The Canadian Manufacturers Association (CMA) said clothing, footwear, furniture and other low-tech industries are suffering because they have failed to adjust to global competition. CMA officials stated that telecommunications, automotive parts, mass transit, steel, capital goods, agriculture and pulp and paper industries can expect modest benefits from preferential access to Mexico. A spokesperson for Honda Canada, meanwhile, said the company is "delighted" that a US Customs complaint over the level of foreign content of three-door Civics manufactured in Ontario appears to have been resolved in NAFTA talks. Thomas Donahue, treasurer for the AFL-CIO (the largest labor union confederation in the US), said NAFTA is a bad treaty for workers, consumers and the health of the US economy. The AFL-CIO estimates that one of the first effects of NAFTA implementation will be the flight of factories to Mexico and the disappearance of 500,000 US jobs by 2000. Ann Veneman, US Department of Agriculture undersecretary, told reporters that Canada did not wish to join the compromise on agricultural trade reached by the US and Mexico. Ottowa will not participate in tariff-free trade in agricultural products. Consequently, US-Canadian agricultural trade would continue to be governed by the FTA, and Canadian-Mexican agricultural trade by GATT. Veneman said NAFTA will represent a US$2 billion annual increase in US farm exports to Mexico, and would create 54,000 new jobs. Corn exports, for example, are expected to increase from 1 million metric tons in 1991 to 2.5 million MT, the initial quota set by the pact. Mexico will be able to export sugar to the US starting in the sixth year of the treaty, but only in the context of Mexican status as a net exporter. This measure is to prevent Mexico being used as a platform for exporting sugar from other countries into the US. Aug. 14: Trade Minister Serra Puche described principal features of the NAFTA for members of the Mexican Senate. He said tariff dismantlement will occur in four phases: immediately after treaty implementation, five years later, 10 years thereafter, and finally, 15 years following implementation. In the first phase, 7,300 US tariffs on Mexican goods will be eliminated. On the Mexican side, tariffs on 5,000 products, mainly capital goods, machinery, electronic equipment, instruments, and chemical products, are to be suspended. The second phase brings elimination of tariffs on 1,200 products by the US and Canada, and 2,500 by Mexico. In the third phase, tariffs on 1,300 products are to be dismantled by the US and Canada, and 3,300 by Mexico. In the final phase, tariffs on Mexican products such as corn, beans and milk will be eliminated. Aug. 15: According to a report by the Associated Press, NAFTA could be the issue that

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destroys the political career of Canadian Prime Minister Brian Mulroney. The prime minister's party, the Progressive Conservatives, obtained only 21% in the latest opinion poll, and the prime minister gets only 12-16% when compared to rivals. There is little doubt the NAFTA will be ratified early next year by Parliament where the Conservatives control both the House and the Senate. But opposition leaders vow to make free trade the main issue in the next federal election, which must be held before November 1993. The US-Canada free trade pact that went into effect Jan. 1, 1989, was the principal issue in the 1988 elections. Since 1988, many Canadians have changed their views on the FTA. Jean Chretien, leader of the Liberal Party currently leading the polls with 44% , says if elected he will renegotiate the agreement with the US. Audrey McLaughlin, head of the New Democratic Party, at 16% in the recent popularity poll, says she would give the required six months' notice and scrap the FTA altogether. In reference to NAFTA, McLaughlin said, "We've taken the bad Canadian-US deal and made it worse...People don't trust this government and know they're being sold out again." Government statistics indicate that Canada's trade surplus with the US is US$8 billion higher now than before FTA implementation. The bilateral agreement helped attract US$15 billion in new foreign investment. Last year Canada exported US$5.7 billion more in goods and services to the US than it did in 1988. With 11.6% unemployment and 2 million of Canada's 27 million people receiving government assistance, however, many remain unconvinced. (Sources: Notimex, 08/12/92, 08/13/92; Washington Post, United Press International, 08/13/92; Agence France-Presse, 08/12/92, 08/13/92, 08/14/92; Spanish news service EFE, 08/13/92, 08/14/92; Associated Press, 08/15/92)

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