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Sept. 13: A recent study by the Associated Economists Group (Grupo de Economistas Asociados-GEA) stated that the domestic pharmaceuticals industry has been dependent on public sector acquisitions, and thus is vulnerable to US and Canadian competition under the NAFTA. Public sector acquisition represents over 22% of total pharmaceutical sales, or US$880 million per year. At present, a third of Mexican pharmaceuticals manufacturers are traditional suppliers to the public health sector. Seventy percent of the third are owned by Mexican investors, and the rest by foreign companies. Next, the pharmaceuticals industry is highly concentrated, and most manufacturers are located in the Mexico City metropolitan area. Because of location and obsolete production methods, many of these companies will be required to invest in new physical plant or upgrade existing facilities due to environmental conservation legislation. The industry's trade deficit increased from US$136.5 million in 1980 to US$374 million in 1991. In the 1986-1991 period, pharmaceuticals exports rose an average 19% per year, while import spending increased by 21.5% per annum. In 1988, US pharmaceutical manufacturers outnumbered Mexican counterparts by a factor of 4.1. The US industry's earnings were higher by a factor of three. Sept. 14: In Chicago, Minnesota governor Arne Carlson said the private sector in his state "wants to be in the vanguard" of the NAFTA. Carlson was expected to meet with President Carlos Salinas de Gortari the following day in Mexico City. In 1990, Minnesota-based companies exported US$160 million worth of goods to Mexico. Enrique Espinoza, head of the Trade and Industrial Development Secretariat's international relations division, said the US, Canadian and Mexican trade ministers are planning to convene this month in Mexico to "ratify completion of the treaty." Sept. 15: US Rep. Dan Rostenkowski (D-Ill.), chair of the House of Representatives ways and means committee, said congressional approval of the NAFTA depends in large part on the existence of an adequate program to meet the needs of dislocated workers. Rostenkowski opened the second week of congressional committee hearings on the treaty. Labor Secretary Lynn Martin told committee members that President George Bush will provide details on his plan for meeting the needs of displaced workers in February next year. In early September, Bush said the government would channel US$10 billion to a five-year retraining program for workers displaced by the treaty. In May 1991, the president promised that Congress could simultaneously evaluate the NAFTA and the worker dislocation program. Martin said that while about 150,000 workers in certain industries will be displaced by the treaty over a 10-year period, an overall net gain in employment is expected, as well as higher average wages. Sander Levin (D-Michigan), Frank Guarini (D-NJ) and other Democrat legislators requested labor market impact assessment studies focused on the manufacturing and automotive industries. Levin also requested a comparative analysis of productivity and wage rates in the US and Mexico. Guarini asserted that the treaty does not include mechanisms to obligate Mexican enforcement of environmental and labor laws. Rep. Robert Matsui (D-Calif.) said, "Why is it not better to put language in the agreement that would allow...some kind of enforcement within the agreement if, in fact, we have proof that the Mexicans are inducing business by relaxing their standards?" After the hearing, Matsui said that in the absence of renegotiation, the Congress is not likely approve the
NAFTA. The New York Times reported that the National Wildlife Federation (NWF) and the World Wildlife Fund (WWF) groups with strong ties to EPA Administrator Reilly may release statements in support of NAFTA. The majority of US environmental groups, including the Sierra Club, the Natural Resources Defense Council, the National Toxics Campaign, Greenpeace, Public Citizen and other national organizations, strongly oppose the agreement. The Sierra Club's John Audley urged Congress to reject the agreement. Audley said his organization had compiled a list of 30 provisions in the NAFTA text that could harm the environment. Three consumer and environmental organizations Public Citizen, the Sierra Club and Friends of the Earth refiled a lawsuit in US Federal Court to require the Bush administration to complete an environmental impact statement on the NAFTA. Under the National Environmental Policy Act, federal agencies must prepare impact statements on major federal actions having a significant impact on the environment. The three organizations argue that such a statement on NAFTA would help Congress determine if it "is the best agreement that could have been reached for the environment." The three sued earlier this year for an environmental statement, but an appeals court rejected their claim because NAFTA had not yet been completed. Sept. 16: During a US Senate foreign trade subcommittee hearing, Environmental Protection Agency (EPA) administrator William Reilly pointed out that Mexico is a developing country, and thus should not be judged according to US environmental standards and enforcement capabilities. According to Reilly, Mexico can be expected to achieve more in the area of environmental conservation under NAFTA than in the absence of such treaty. Reilly emphasized Mexican progress in environmental issues in recent years. He asserted that Mexico needs the financial resources generated under the treaty to continue fulfilling environmental commitments in general, and in the border area in particular. Reilly said the Mexican government has allocated US$460 million to an integrated environmental conservation plan focused on the border area. US funding for the same program was cut by Congress, and has not yet been appropriated. Prior to the hearing, subcommittee chair Max Baucus (D-Montana) asserted that NAFTA "says nothing" on the most important environmental question: ensuring that everyone, including Mexico, complies with adequate environmental standards. Baucus proposed to include sanctions in the treaty, such as temporary reimposition of tariffs, in the event a NAFTA partner fails to comply with environmental requirements. He also proposed creating a trilateral commission to monitor adherence to minimum environmental standards. Lloyd Bentsen (D-TX), chair of the Senate finance committee, said important environmental topics must be included in the treaty. According to Bentsen, NAFTA represents a "real opportunity" for all three nations to improve the environment. The biggest challenge, he said, is to guarantee enforcement of conservation regulations. Bentsen said President Salinas has demonstrated "great political courage" vis-a-vis environmental issues, such as in closing a refinery and several maquiladora plants. Sens. Baucus, Donald Riegle (D-Michigan), Thomas Daschle (D-SD) and John Breaux (D-LA) insisted on the need to include provisions guaranteeing compliance with environmental conservation standards in Mexico. Sen. John Chafee (R-RI) said he was concerned by the "simplistic" nature of the debate surrounding environmental questions. He called on environmentalists and others to focus on specific problems and questions, rather than making sweeping and imprudent criticisms and statements. Chafee said the NAFTA is not an environmental agreement with trade aspects, but rather a trade agreement with ecological dimensions. Long-term environmental decline or improvement under the treaty, he added, should be projected and discussed. However, because the NAFTA is not designed to resolve environmental problems, the latter cannot become a primary determinant of the treaty's worth. Sen. Baucus then proposed incorporating guarantees for enforcement of environmental standards in NAFTA when the Congress debates implementation legislation. Sen. Riegle reiterated that when the NAFTA goes
to the Senate floor for debate, he will seek approval of a bill already co-sponsored by 32 senators to amend the treaty. The NAFTA was negotiated under "fast-track" procedures, which specify that Congress can approve or reject the treaty, but cannot introduce amendments. In response to Democrat members' statements about Mexico using the option to lower environmental standards in order to attract US business, Reilly said more specific proposals had been considered, including measures to allow sanctions against products manufactured in environmentally harmful ways.

According to Reilly, the trade pact negotiators could not agree on appropriate language for the specific proposals. Sen. John Danforth (R-Missouri) was the only Republican member who strongly defended the trade pact. He accused the Democrats of "using environmental and health standards as a guise for protectionism." The Services Policy Advisory Committee (SPAC), a group appointed by the Bush administration to make trade policy recommendations, has released a report endorsing NAFTA. The report welcomes the treaty's provision ensuring equal treatment of US and Canadian service providers operating in Mexico. The report included a number of dissents from the 37-member committee. John Adams of the Natural Resources Defense Council, believes the accord lacks "sufficient environmental safeguards." He urged Congress to "condition final approval on strengthening measures that link environmental protection with North America's economic integration." Other dissenters included Recording Industry Association president Jason Berman and Services Employees' International Union president John Sweeney. At a House agriculture committee hearing, US Trade Representative Carla Hills said US agricultural exports to Mexico under the treaty will increase by about US$2 billion per year, leading to another 50,000 US jobs. Committee chairperson E. (Kika) de la Garza (D-TX) opened the hearing by reiterating total support for NAFTA, and his belief that establishment of closer links with Mexico and Canada will benefit the US. Hills pointed out that the NAFTA includes detailed conflict resolution procedures, such as trilateral groups of experts responsible for dispute resolution over a period which shall not exceed eight months. She added that investors have the right to submit complaints against a member-nation. The complaints are subjected to impartial arbitration by a trilateral panel. Hills reiterated the Bush administration's opposition to initiatives that would impose tariffs as sanctions, thereby undercutting treaty content. During Hills' testimony, House members representing the livestock industry, dairy producers, sugar growers, California winemakers and peanut farmers raised numerous objections to NAFTA. They argued that lowering trade barriers and changing other rules affecting US-Mexican trade could place the above industries at a disadvantage. NAFTA, which will not go into effect until Congress votes on implementing legislation, would immediately eliminate tariffs on half of all US exports to Mexico. Most other agriculture tariffs on US exports would be phased out over the next decade, although some would remain in effect over the next 15 years. Meanwhile, several consumer and environmental groups, joined by a Mexican opposition party legislator, criticized the NAFTA as doing nothing to force the cleanup of toxic waste resulting from the expected increase in industrialization along the US-Mexican border. John Audley, a trade specialist with the Sierra Club, said the border area already "is the scene of massive environmental devastation. People are dying from exposure to toxic chemicals while elected officials remain helpless." Liliana Flores Benavides of Nuevo Leon, a member of the Democratic Revolution Party (PRD) in the federal Chamber of Deputies, told reporters, "We will not allow the Mexico-United States border to be turned into a dumping ground for the United States...Not to include labor and environmental issues in the NAFTA would mean the institutionalization of the existing irrationality." Mexican auto industry leaders told reporters that NAFTA negotiations were not yet complete. They said "substantial differences" regarding automobiles industry arose during the editing and codification of relevant treaty segments. According to these spokespersons, differences
continue in the areas of value added rules of origin, and conditions for the entry of new auto producers. Sept. 17: In Washington, EPA administrator William Reilly, Canadian Environment Minister Jean Charest, and Mexican Social Development Secretary Luis Colosio Murrieta signed a memorandum of understanding toward setting up a trilateral commission to facilitate long-term cooperation on environmental matters. The three plan to reconvene in January in Mexico to take concrete steps to establish the plan. The officials said the panel could work on solutions to cross-border environmental problems and serve as an arbiter in disputes among NAFTA member-nations. According to the memorandum, the commission will also sponsor seminars or other educational forums on the environment, serve as an information exchange and promote joint projects. The shared information and resources would include equipment and other methods to spot sources of pollution, identify the pollutants and determine the best cleanup procedures. EPA officials stressed that while the commission would complement the NAFTA, it will not be dependent on the treaty's ultimate fate in the US Congress. After asserting that the NAFTA has sufficient built-in environmental protections, Reilly said the commission will help all three countries develop expertise in monitoring compliance and handling disputes. NAFTA critics say Mexico, which is new to environmental enforcement, could create so-called pollution havens that would attract US and Canadian firms seeking to evade compliance with stiff environmental laws. Charest said, "If that's to be the case, why didn't Eastern Europe attract all kinds of polluting industries?" He added that Eastern Europe had virtually no environmental laws before the collapse of the Soviet bloc, and little enforcement today. According to Charest, "A definition of competition now will include environmental sensitivity." Charest insisted that NAFTA provisions specifically bar any of the three countries from using lax environmental enforcement to entice plants to move across a border. Reilly said such plants would have moved by now, as the NAFTA closes opportunities to continue polluting. Colosio Murrieta said Mexico is "committed to improving the environment," as well as avoiding the inadvertent creation of havens for polluters. Sept. 18: In Mexico City, chief treaty negotiator Herminio Blanco told reporters that the most important goal of the NAFTA is the creation of more and better-paying jobs. He said diverse services will generate employment paid at levels much higher than those at present. He added that trade rules under the NAFTA for eliminating tariffs on Mexican exports will provide expanding opportunities for trade in goods and services, thereby creating more jobs. According to Blanco, the NAFTA is premised on uneven levels of development between Mexico on the one hand, and the US and Canada on the other. Under the treaty, the US and Canada will reduce tariffs by 80% and 79%, respectively, applied to Mexican non-petroleum exports. Mexico will cut tariffs on imports from the two nations by 43% and 41%, respectively. The Financial Times quoted an unidentified Canadian trade official as saying that the NAFTA will establish free trade in coffee between Canada and Mexico an arrangement that will supersede any other agreement, including eventual quotas established by the International Coffee Organization (ICO). The official said, "Mexican coffee will have unlimited access to our market." Mexico is an important member of the ICO. Canada withdrew from the pact last September, but representatives were scheduled to attend ICO meetings in London the following week as observers. Mexico is the world's fourth largest coffee producer. Canada imports approximately 2.3 million bags of coffee per year. According to the Congress Daily, US House majority leader Richard Gephardt (D-MO) has commenced mailing questionnaires to large US companies to determine how key businesses would react to the NAFTA. The survey asks the Fortune 500 companies about business relationships in Mexico, import and export activity, plans to change trade relations, investments in Mexico and the impact the pact would have on the number of people they employ. Gephardt plans to incorporate a provision in NAFTA implementing legislation calling for the next presidential
administration to monitor business activity and changes in such activity with Mexico. The Wall Street Journal reported that 34% of US citizens who had heard of the NAFTA oppose the treaty, compared to 27% in favor. Forty-two percent of the respondents said the pact would result in fewer jobs for US workers, while only 16% predicted an increase in jobs. When asked which candidate would better protect US interests on trade issues, 42% chose Bush, compared to 32% for Democrat candidate Bill Clinton. According to NEWSSCAN, the Canadian steel industry is encouraging the Canadian government to renegotiate a provision in the NAFTA in order to include a clause from the 1988 Canada-US trade agreement requiring both governments to establish a new set of trade rules dealing with issues such as subsidies and unfair pricing. An unidentified steel company executive was quoted as saying, "If NAFTA does not improve, and in fact weakens what we got under the Canada-US free trade agreement, we would be deceiving ourselves by supporting it."

Sept. 19: According to US Department of Commerce sources, President Bush may sign the NAFTA in the second half of December, assuming no major contretemps in the Congress. Bush officially notified the Congress the previous week of his intention to sign off on the treaty. The Congress has 90 working days under the fast-track provision to ratify or reject the treaty en toto. Sept. 20: In a paid advertisement published by the New York Times, American Federation of Teachers President Albert Shanker argues that free trade hurts workers in the US and developing countries. Shanker cites examples of companies such as Nike moving to Indonesia, resulting in the layoff of 65,000 US workers. In Indonesia, Nike workers were paid as little as US$0.14 per hour. According to Shanker, such practices raise some serious questions about NAFTA. He said, "Unless the treaty is properly put together and unless the laws and safeguards that make it up are properly enforced NAFTA could be a disaster. It could result in a huge loss of jobs in the US and massive exploitation of Mexican workers at the same time that American consumers continued to pay high prices." Sept. 21: USA Today reported that 57% of US citizens oppose the NAFTA. The newspaper said "Clinton's caution in backing free trade with Mexico, and talk about getting tough with unfair traders...is hitting home with voters." Sept. 22: The Agence France-Presse reported that in a televised interview taped Monday for broadcast in the US over the weekend, President Salinas said his government will not reopen NAFTA negotiations. He pointed out that the pact was the result of three years of "very tense and intense negotiations." [Sources: Notimex, 09/13-16/92; Journal of Commerce, Reuter, 09/16/92; Copley News Service, 09/16/92, 09/17/92; El Financiero, 9/17/92; Wall Street Journal, Financial Times, 09/16/92, 09/18/92; NEWSCAN (Canada), Congress Daily, 09/18/92; Spanish news service EFE, 09/18/92, 09/19/92; New York Times, 09/15-17/92, 09/20/92; USA Today, 09/21/92; Agence France-Presse, 09/16/92, 09/17/92, 09/22/92]