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Treasury Secretary Lloyd Bentsen Details U.S. Positions On Nafta & Trade

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On May 3, senior officials from the Clinton administration delivered a series of speeches to the Council of the Americas in Washington. Speakers at the conference called "Latin America and the US: the Clinton Administration's Agenda" included Deputy Secretary of State Clifton Wharton, Treasury Secretary Lloyd Bentsen, Chairman of the President's National Economic Council Robert Rubin, and Assistant Secretary of State for Inter-American Affairs Bernard Aronson. Following are excerpts from Bentsen's remarks regarding the administration's position on the North American Free Trade Agreement (NAFTA) and other trade and economic matters. They are followed by three responses during a question-and-answer session. (For speeches from the other administration officials, see Chronicle of Latin American Affairs 05/13/93 and Notisur 05/14/93)

I can recall talking to some of you a couple of years ago up on Capitol Hill, and we were talking then about fast track. We were talking about the Uruguay Round, and we were talking about NAFTA. All our nations are so closely tied together economically today that nothing that happens in one nation happens in a vacuum, and that's particularly true for an economy as large as ours. We have just concluded an important series of meetings with the G-7 ministers, with the committees of the World Bank, and the IMF. We have talked extensively about how we can encourage international economic growth. There is no way that we, as large as our economy is, can by ourselves pull the rest of the world into a growth period. It's going to take the cooperative effort of all of us working together. I wrote an article last August about NAFTA. I said then that we had concerns about labor and environmental issues. These are of interest to all Americans. Now those concerns are being met, and we're improving NAFTA. We're working for meaningful and effective supplements to the agreements on those issues. In addition, we're getting our message across to the Hill on the benefits of NAFTA. We're explaining how it fits in our strategy of improving our competitiveness, we're explaining how it will create more jobs. The problem that we face today is that organized labor strongly believes and sincerely believes that all those jobs are going to go south, and they're fighting it with everything they have. Too often we're seeing businessmen saying, "Oh, yes, oh, yes, we're for it all right."

Well, one of the things I'm hearing today, is three or four hundred of you are going to the Hill to get that message across, and that is terribly important that you make them understand how important it is to our country today. Let me give you some examples. Now some of the things that I say to organized labor that I know it's a sincere concern, I understand that one. But those jobs can go now. And a lot of them are going. But what's the impediment on the other side? If we're looking at the products coming north, over 50 percent of the items that come from Mexico, for example, to the United States are duty free. On the rest of them, they average four percent. What kind of an impediment is that to products coming this way? But let's look at some of the things on the other side. We've seen a president today and [Carlos Salinas de Gortari] is an extraordinary man insofar as reform and privatizing, lowering tariffs. He's brought those tariffs down to an average now of about 10 percent. But how do we know who is going to succeed Salinas? What's to stop the next [Mexican] president if he decides this policy isn't working because these are unbound duties, to be able to raise them on up to 50 percent and cut back on the balance of trade between our countries.
To look at a situation where five years ago we had a deficit in trade and today we have a $5 billion surplus. To see the explosion in trade between our two countries and what that has done for the economies of both of them. You don't stay competitive by turning your back on competition and new markets and we have to respond to a changing world. And we're going to train our workers to meet that kind of a challenge. I think too that the Congress understands how we're working to make NAFTA better. They agree it has to be approved. It is an important agreement and it is important to our national interest. It's important to Canada and to Mexico and it's important to every nation in this hemisphere because of the growth that it'll help generate. If there is any illusion or any misunderstanding I want you to understand, I strongly support NAFTA and we're going to be working hard to have it adopted this year. Let's look at some of these numbers because we're so interested in trade with Japan and it's such a major factor we have sometimes a tendency to overlook what trade is in this hemisphere. If you just look at Latin America and the Caribbean, our exports to those areas went up from $43 billion in 1987 to over $75 billion last year. That's real growth, and it means more jobs for Americans. Last year we exported one and a half times as much to Latin America as we did to Japan. Now let's look at the trade relationship between Canada and the United States. They're our largest trading partner. Last year we exported over $100 billion in goods and services to Canada, and in turn, they exported back to us a comparable amount of Canadian goods. Canadian exports to the United States account for nearly one quarter of Canada's GNP, and that sort of figure only magnifies the argument that we have a large stake in faster economic stimulus growth. These growth figures also remind us that NAFTA, and the jobs and stronger growth that it can bring, is important because of the long-term outlook for our region. Free trade is obviously a good deal for everyone. I want to see it up and running this year, and I think we can bring that one about. It's going to mean a major change, I believe, in the growth of both of these countries. There are a lot of people that tell me that the Mexicans have a low per capita earning, and therefore they can't buy our products. Let me remind you that they buy more per capita than do the more affluent Europeans today. They are a most important trading partner for us. The importance of NAFTA as a vehicle for growth is also reinforced by the fact that we've just seen them come out of a decade of debt in that region, and they're putting it behind them as they see substantial capital inflows. Let me give you an example. Some of the largest debtors in the region have moved beyond that problem and now face the challenge of properly managing a new influx of capital. The dramatic inflow of capital that we've seen has been in response to the very encouraging steps that many of these nations have taken whether we're talking about Mexico or Chile, Argentina or others that capital can support projects that will create jobs, improve productivity, and assist regional growth. We have an excellent opportunity here to make a contribution to our region and to growth with this agreement. If you look around Latin America today, you see free trade agreements breaking out all over the region. Nations are adapting free trade agreements or expanding on them. One of the problems that we've seen in the past in Latin America is not enough inter-country trade everyone [is] trying to export out to the United States market or to the European market. Free trade agreements will take care of that, and will contribute to a mutuality of growth amongst these nations. QUESTION: You and the President have got a lot on your mind. You've got health care and deficit reduction. How can we be sure you're going to follow [NAFTA] through? What do you think you and the President can do to assure us that you're going to stay pointed in the direction? BENTSEN: You have a commitment. We're working at it. I've been working at it for some time trying to convince members of the Congress. I think we're gaining on them, and I think we're going to win the fight. It will not be an easy one. It is going to be a very tough one, and you fellows get up on the Hill and carry your part of it. QUESTION: Can you talk a little bit about the process? What happens there?
BENTSEN: Well, I want very much to see that we finish [NAFTA ratification] up this year. I think that's important with our trading partners. And it will not be easy. We've got ourselves a pretty full agenda as every new administration does. But we'll be working the Hill, and the President will be meeting with the members. And I would hope that we get it started before the July 4th weekend, and I think that would still give us time to get it done within this year. QUESTION: In cleaning up the environment along the border, is some kind of a border tax or transfer tax across the border feasible? BENTSEN: I frankly, don't agree with that. I think that runs contrary to what we're trying to accomplish. And look what's happening on the environment. Look at what Salinas did. He closed down two refineries in Mexico City. Must have been 20,000 jobs involved. He did it because of pollution at a time of high unemployment. That takes a lot of political courage to bring that one about. Now, take a look at the situation along the Mexican border and what we have seen with the pollution and the problems and the concern. You saw 26,000 million gallons of raw sewage being dumped in at Nuevo Laredo into the Rio Grande. You're seeing a cooperative effort between the two nations to take care of the treatment of that. So we're talking about some very major things that are being done along that border. Now, if you don't have an agreement, if you don't tie this up in a treaty, what makes you think the successor to Salinas is going to follow up to it unless you have a commitment that's made?

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